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'No' From Delors Stuns French Left Deep Political Rifts Keep Him Out of Presidential Race

By Joseph Fitchett
International Herald Tribune

PARIS — In an extraordinary act of political renunciation, Jacques Delors told the nation on Sunday night that he had decided against running for the presidency because he could not see effective, broad enough support to carry out the reforms that France needs.

Speaking in a choked voice and reading from a brief prepared statement, Mr. Delors, 69, said: "I could not put into effect the solutions I believe are necessary" for France to meet its domestic problems of high unemployment and social tensions, as well as international challenges related to European unity.

Mr. Delors's decision, after weeks of suspense, seemed to guarantee that conservatives will win the presidency, giving them control of almost all the political levers of power in France when President François Mitterrand, a Socialist, steps down after 14 years in office.

In the end, Mr. Delors's prime motive came down to a conviction that France, in a period of uncertain transition, could not afford political gridlock of the sort that now hampers initiative and change in so many capitals from Washington to Tokyo.

By pulling out, Mr. Delors "must have

felt the need to spare the country what he saw as a losing battle among ourselves that would have hurt France's chances in the long term," according to one of his associates.

Mr. Delors put an end to weeks of suspense during an hourlong television interview. In recent weeks, questions about his possible candidacy had spawned a mini-industry in Delors-watching, with little result.

Acknowledging the disappointment for the French left and also among pro-European center-right factions, Mr. Delors said that "disappointment today is not as bad as regrets tomorrow."

The disappointment will be sharp. The Socialist Party, which saw an opportunity for an almost miraculous political comeback behind Mr. Delors, has little hope of performing credibly with any other candidate, like former Prime Ministers Michel Rocard and Pierre Mauroy or former Culture Minister Jack Lang.

Now the race is likely to be dominated by Prime Minister Edouard Balladur, characterized by Mr. Delors as a "do-nothing," and Jacques Chirac, the Gaullist candidate, who, Mr. Delors says, "lies to the French people" by promising tax cuts and better welfare programs. Their compe-

tion seems likely to be a muted struggle aimed mainly at winning over sections of the conservative political parties' apparatus.

In Europe as a whole, particularly Germany, many leaders had pinned their hopes on seeing Mr. Delors run, win and become a French president determined to push for closer integration within the European Union.

His views, including his crusade for closer European unity, also forged sympathies between the Clinton administration and Mr. Delors, in contrast to his clashes with the Bush and Reagan administrations.

Chancellor Helmut Kohl, a Christian Democrat, and Mr. Delors, who describes himself as a Christian Socialist, became close political allies during Mr. Delors's 10 years as head of the European Commission in Brussels, a job he will leave in late January.

While Britain's Conservative governments have often tended to single out Mr. Delors as the incarnation of big bureaucracy and tax-and-spend tendencies in Brussels, Mr. Delors often supported moves toward deregulation and free competition in the European Union that often dis-

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EU Backs Away From 'Closer' Union

By Tom Buerkle
International Herald Tribune

ESSEN, Germany — The European Union has taken a major step away from an "ever-closer union," the bloc's stated goal, to a looser form of political cooperation favored by Britain and, increasingly, France.

The shift was underscored by a provocative analysis presented to EU leaders by Jacques Delors, the outgoing president of the executive commission, as well as more mundane disputes at the Union's summit meeting here at which it embarked on the road to Eastern expansion.

The meeting offered the clearest glimpse yet of the Europe of the next century, bringing together the heads of government of the 12 existing members and of Austria, Finland and Sweden, which will join in January, with leaders of Poland, Hungary,

the Czech Republic, Slovakia, Romania and Bulgaria.

Even Vaclav Klaus, the Czech prime minister who has made the most insistent calls for early membership, expressed satisfaction with the strategy adopted by EU

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leaders. It gives no timetable for entry but sets up a work program to prepare the East for the EU single market, steps up financial aid and admits Eastern states to regular EU meetings.

"I would not underestimate the symbolic importance of what happened today," Mr. Klaus said as the summit meeting ended on Saturday.

Mr. Delors did not underestimate the importance, either, during a lively brainstorming session with the 15 leaders over

dinner on Friday, according to accounts of those present.

He began by talking of a Union of 27, embracing all the countries represented on Saturday, the three Baltic republics and Slovenia, which will win the same membership prospect shortly, plus Cyprus and Malta.

Mr. Delors said the applicants bring "enormous demands for resources." Without major reforms of EU policies, they would require a rough doubling of farm and development spending that accounts for two-thirds of the EU budget of 70 billion European currency units.

What's more, an extension of existing voting procedures would make it impossible for Germany, France, Britain and Italy

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With Old Arkansas Friends Like Clinton's, Who Needs Enemies?

By Ruth Marcus
Washington Post Service

WASHINGTON — President Bill Clinton took care of one troublesome problem from Arkansas last week. Another returned to haunt him.

The president's week started in a meeting in Budapest on European security, continued at home where he signed the new world trade treaty and ended in Miami with a hemisphere summit meeting.

But all of that was overshadowed by two difficult events that resurrected Mr. Clinton's Arkansas past —

the dismissal on Friday of his outspoken surgeon general, Joycelyn Elders, for suggesting that masturbation "is part of something that perhaps should be taught" in schools, and the guilty plea on Tuesday of one of the president's closest friends, former Associate Attorney General Webster L. Hubbell.

As the networks replayed footage of the president and his confidant on the golf course, Mr. Hubbell's guilty plea evoked memories of the fate of other Arkansasians that the Clintons brought to Washington with them, chief among them the suicide in July 1993 of another Rose Law Firm partner, Vincent Foster,

who was then a deputy White House counsel. And new problems from old friends loomed for the president. There were reports that his former partner in the Whitewater real-estate venture, James B. McDougal, is about to be indicted by the Whitewater independent counsel, Kenneth W. Starr, and that a second independent counsel investigating Agriculture Secretary Mike Espy has broadened his inquiry to include an examination of Tyson Foods Inc., the Arkansas poultry conglomerate with longstanding ties to Mr. Clinton.

"The thing with Webb is just one more long line of tragedies that related to Arkansas friends and is in

many respects unprecedented in terms of bringing friends from home to Washington with you," said a former White House deputy chief of staff, Roy Neel. "This is all just very sad when you think about a bunch who came to town with such high hopes and good spirits. There was great pride in that adventure, and now you just get a sense of survival over there."

In dismissing Dr. Elders, Mr. Clinton took action that many — including some of his own advisers — believed was long overdue for his political survival.

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Signal of Philippine Terror As Blast Kills Air Passenger

By T. R. Reid
Washington Post Service

TOKYO — The pilot of a Philippine Airlines plane with a hole blasted in its floor by an explosion made a one-hour detour to the nearest airport and brought his Boeing 747 jumbo jet in safely Sunday morning.

One passenger was killed and 10 suffered mild injuries, but the remaining 296 people aboard emerged unscathed after Flight 434 from Manila and Cebu to Tokyo made an emergency landing at Naha, Okinawa.

The explosion blew a hole in the floor of the fuselage. Passengers told Japan's NHK-TV that they watched debris flying through the plane and feared another explosion during the rush to Naha.

Several hours after the blast, a man claiming to represent a radical Philippine Muslim guerrilla group called The Associated Press in Manila to claim responsibility for the bombing.

"We are Abu Sayyaf Group," the caller said in broken English. "We explode one plane from Cebu."

He warned that the group planned to target other Philippine aircraft.

The Abu Sayyaf Group, which opposes peace talks between the Philippine government and the country's main Muslim rebel

faction, the Moro National Liberation Front, has been blamed for numerous bombings in the southern Philippines and for the kidnapping of businessmen, priests, doctors and other people for ransom.

In June, Philippine marines launched a major offensive against the Abu Sayyaf Group's strongholds on Basilan after the rebels massacred 15 Christians and kidnapped a local Roman Catholic priest for ransom.

The military later overran the rebels' main base and said it killed at least 36 armed members of the group.

Fighting resumed last month when the military launched a new effort to capture the group's leader, Abdurajak Abubakar Janjalani, an Islamic radical who formerly studied in Libya.

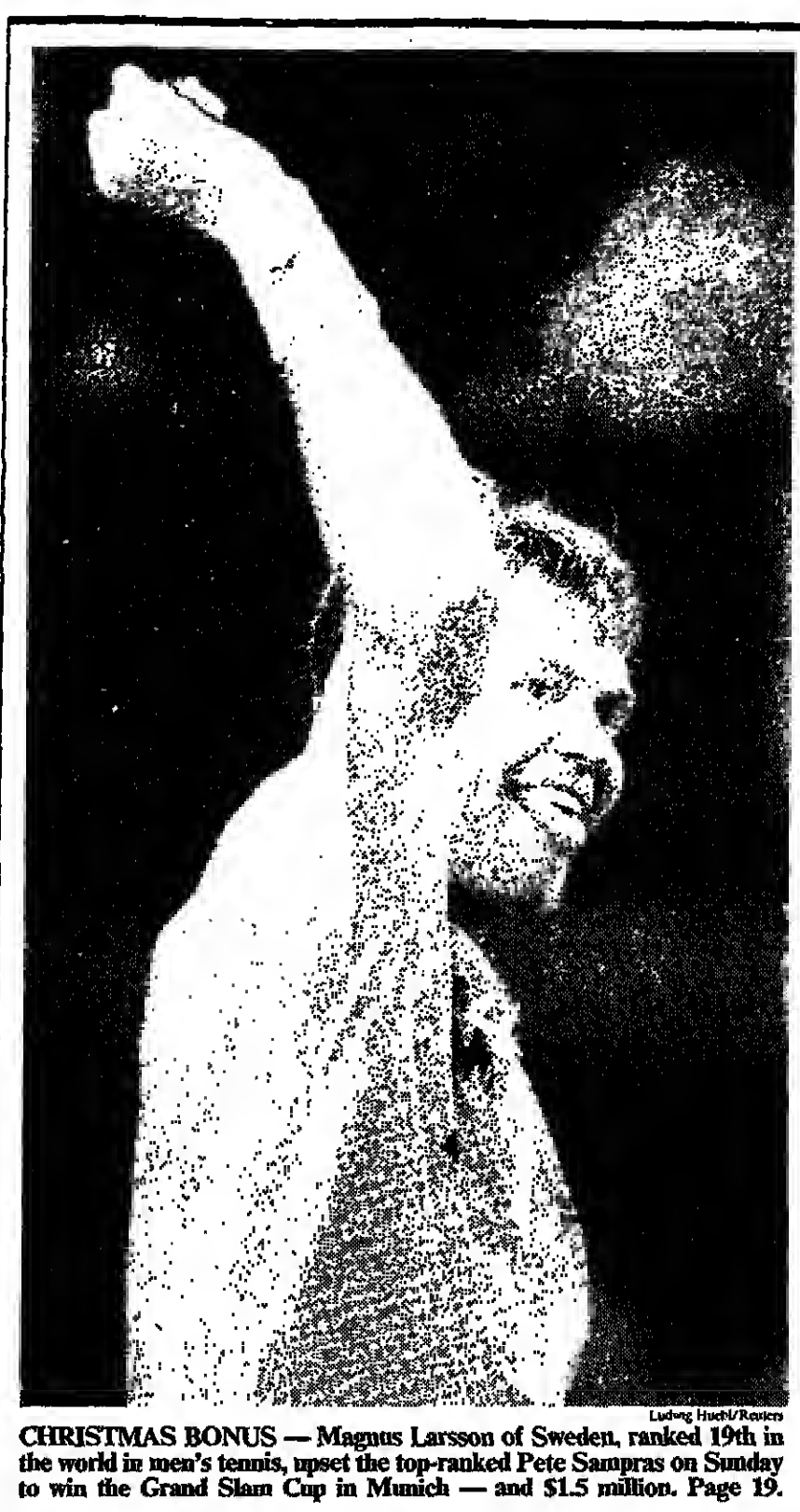
His fighters are believed to number only in the hundreds, but they have shown a capacity to cause havoc.

Bombings of churches, shopping centers and other targets attributed to the group have killed or injured scores of people.

If the group is responsible for the bombing, however, it would mark the first time that it has targeted a Philippine airliner and courted a major international catastrophe.

The dead passenger was identified as

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CHRISTMAS BONUS — Magnus Larsson of Sweden, ranked 19th in the world in men's tennis, upset the top-ranked Pete Sampras on Sunday to win the Grand Slam Cup in Munich — and \$1.5 million. Page 19.

Yeltsin Sends Troops Into Breakaway Rebel Region

3 Armored Columns Pour Into Chechnya but Stop Short of Capital

By Lee Hockstader
Washington Post Service

MOSCOW — In its largest offensive military action in 15 years, Russia on Sunday sent troops and armor pouring into the rebel southern region of Chechnya, which has resisted Moscow's rule since it declared independence in 1991.

Thousands of troops and hundreds of armored vehicles and tanks swept into the breakaway republic in three columns from the east, west and northwest, encountering light resistance and inflicting some casualties. The troops had stopped short of storming the Chechen capital of Grozny, 1,600 kilometers (1,000 miles) south of Moscow, where several thousand lightly armed volunteers have vowed to fight the Russians.

In a statement reported Sunday night by Russia's Itar-Tass press agency, President Boris N. Yeltsin said the troops had moved

Russia's invasion of Chechnya has a touch of the old Soviet style. Page 6.

in "to help find a political solution and to defend the people" of Chechnya. He said he remained hopeful that peace talks planned for Monday could resolve the crisis without further bloodshed.

Speaking at a news conference in Miami, President Bill Clinton expressed little alarm over the situation, saying that he had counseled the Russian leadership to use the minimum force necessary.

"It is an internal Russian affair," Mr. Clinton said. "We hope that order can be restored with a minimum of violence and bloodshed."

Reports from Grozny said the city of 400,000 people was quiet. It was not immediately clear whether the Russians had merely paused pending the talks and to give civilians a chance to flee the city ahead of a major assault, or planned a long siege to wear down the Chechen troops and force them to negotiate.

The Chechen president, Dzhokar Dudayev, who has defied the Kremlin at every turn, declared that war had begun. But the Chechen economics minister, Taimaz Abubakarov, said he would attend talks with Russia on Monday as head of the Chechen government delegation.

"We will defend ourselves," declared Mr. Dudayev, 50, a former Soviet Air Force general who has staked his career on confrontation with Moscow.

The Russian thrust Sunday was the most extensive hostile act by Moscow's troops since the invasion of Afghanistan in December 1979. It marked a decisive step by Mr. Yeltsin, whose patience has worn thin through months of escalating tensions between Moscow and Grozny.

Unlike most of the ethnic and national conflicts that have erupted along Russia's southern flank since communism's collapse, the Chechen crisis is unfolding on what Russia — and the world — recognizes as Russian territory.

That has raised the stakes of using force against Grozny, a move that could lead to an open split between Mr. Yeltsin and most of his liberal allies, who strongly oppose military intervention.

Grigori Yavlinsky, head of a major liberal bloc in the Russian Parliament, said: "We're against our children being killed. We're against democracy being established using these methods."

Chechnya, mostly Muslim, is a vital regional transport hub and important oil refining center. It has been a thorn in Mr. Yeltsin's side since it declared independence from Moscow three years ago. Alarmed by the precedent, Mr. Yeltsin sent troops to Grozny then but withdrew them in the face of opposition from the Chechens and the Russian Parliament.

Since then, efforts to reach an accommodation between Moscow and Grozny have been fruitless. Russian officials have meanwhile stepped up allegations that Chechnya, an enclave of 1 million people, is providing a safe haven for terrorists, drug traffickers and arms dealers.

Earlier this year, Moscow began a thinly veiled policy of helping the armed Chechen opposition seeking to topple Mr. Dudayev. That opposition, together with Russian troops recruited by the KGB's successor agency, launched a poorly

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A BLACK FLAG — A Muslim fundamentalist woman in Amman taking part in a protest Sunday against the opening of an Israeli embassy. Page 7.

Intrigued by New South Africa, American Blacks Pack Their Bags

By Paul Taylor
Washington Post Service

JOHANNESBURG — As Zambia McLeod, a Georgetown University pre-med student, was packing to visit her family here for the Christmas holidays, several of her black friends in the United States stuffed her suitcase full of résumés.

"They kept saying: 'We can't believe it. Your parents actually live in South Africa. How fantastic,'" she said. "Some want to move here."

Once the symbol to American blacks of all things evil, South Africa has become almost a mecca for them now that it has transformed itself from a white racist state to a black-led democracy.

"A lot of African Americans seem to have the idea that they can come here now and find that 40 acres

and a mule they never did get at home," said Miss McLeod's father, Mackie McLeod, who directs the Lotus Trust, the American computer company's social responsibility program in South Africa.

The McLeods are in the vanguard of a small but growing number of African Americans who have settled here since the political transition that culminated in April with Nelson Mandela's election as president.

They are corporate executives, development officials, educators, entrepreneurs and consultants. They number in the low hundreds, according to Mr. McLeod's best guess.

Some have come to do good in Mr. Mandela's South Africa, some to do well, some to fill a personal void and some to win battles here that they have given up for lost in the United States.

Almost all have found the journey to be bracing. But some also have found it disorienting, as they discover how similar histories of oppression mask differences of outlook among the blacks of the two countries.

"When a black American comes to South Africa, there's this realization that here is this marvelously sophisticated country, with its impressive infrastructure, that is coming under black control," said Francis Kornegay Jr., director of the African-American Institute's South Africa program. "That's powerful coming from a society where blacks — no matter how successful — feel that control is tenuous, if it exists at all."

"The idea of flying in the business-class section of an airplane back to the continent where your ancestors had been dragged away in the hull of a ship — that's pretty amazing stuff," Mr. McLeod said.

But as he and others acknowledge, this is also a journey easy to romanticize and fraught with potential disappointment.

"It's the old cliché — African American comes to Africa and realizes just how American he is," said Mr. Kornegay, a scholar who has visited South Africa on and off for two decades.

"Many of the American blacks who come are going to be in for a rude awakening," said Ron Carter, dean of students at the University of Witwatersrand, who until 1989 was a dean at Boston University. "You can very easily be seen as a carpetbagger, and your black skin won't help you."

"If you think you can come here, enjoy the comfort of living in Sandton," he said, referring to an exclu-

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Newsstand Prices			
Andorra	9.00 FF	Luxembourg	60 L. Fr
Antilles	11.20 FF	Morocco	12 Dn
Cameroun	1.400 CFA	Qatar	8.00 Riels
Egypt	5.00 E.P.	Réunion	11.20 FF
France	9.00 FF	Saudi Arabia	9.00 R.
Greece	960 CFA	Senegal	960 CFA
Gabon	960 CFA	Spain	200 PTAS
Italy	2.600 Lit.	Tunisia	1.000 Din.
Ivory Coast	1.120 CFA	Turkey	8.50 Dn
Jordan	1 J.D.	U.A.E.	8.50 Dirh.
Lebanon	US\$1.50	U.S. Mil.	(Eur.) \$1.10

The UN, Staying in Bosnia as a 'Witness,' Leaves Its 'Fig Leaf' Mission Intact

By John Pomfret
Washington Post Service

VELIKA KLADUSA, Bosnia — The road to this besieged Muslim town in northwestern Bosnia is lined with Serbian artillery batteries and the best intentions of the international community.

Trembling with the wallop of tanks, mortars and 155mm howitzers, the road

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twists by a base of the United Nations Protection Force, where Polish soldiers peer out from under thin blue helmets at passing Serbian weaponry. Few worry about safety. No shells fall on this side of the line because the Muslims lack big guns.

"We're just listening to people die," said an officer as a barrage of Serbian tank and artillery shells shattered a few moments of calm, boring into the Muslim-held town on

the far side of the hills. "But if we left, who'd be here to witness?"

The biggest peacekeeping mission in history hobbled to the brink of collapse last week, peered over the edge and stopped.

Talk of pulling out the 23,000 UN peacekeepers from Bosnia faded quickly amid fears that the effort to cage the war within the boundaries of former Yugoslavia would become the first casualty of the withdrawal. Added to that were European fears that a widening war would spark the first East-West military confrontation in the post-Cold War era.

In the end, the Serbs, the United Nations, Britain, France, the United States, Russia and the Muslims seemed petrified by the unknown and resigned themselves to the imperfections of the UN peacekeeping operation.

Few called for a robust reconfiguration of the UN operation into a force capable of imposing a solution, as allied armies did

in 1991 to save the Kurds in northern Iraq.

Some American politicians called for muscular NATO bombing raids on the prospects for a wider war remain high. Already the fighting around Velika Kladusa and Bihać town 24 kilometers (15 miles) to the south has become a proxy war between Croatia and rebel Croatian Serbs, who occupy 27 percent of that country.

There are also broader ramifications of this arrangement. By refusing bolder action and clutching to its tenets of impartiality, the UN mission could be condemning the viability of a multi-ethnic state and the potential for nurturing moderate strains of Islam in the heart of Europe.

Ejup Ganic, the vice president of Bosnia's mostly Muslim government, has warned of "a Gaza Strip in Europe's backyard" with all its accretions: fundamentalism, terrorism and poverty. Some Western officials worry he could be right.

The basic strategy of the UN mission appears to be to stay long enough to pick up the pieces after the war is over. And by their presence as a witness, like the Polish soldier on the road to Velika Kladusa, they hope to "attenuate and blunt the sharpness of the conflict," said Yasushi Akashi, the Japanese diplomat who leads the UN operation in former Yugoslavia.

But by embracing the fig leaf option, the key member states in the United Nations have ceded control of the pace of conflict to the Serbs.

As time passes, Serbs in Croatia, Bosnia and Yugoslavia are approaching their dream of "Greater Serbia," further complicating the search for peace. Such a development defies the insistence of the current negotiators, the United States, Russia, Britain, Germany and France, that international borders cannot be violated to end the Balkan wars.

By week's end, the United Nations, and Britain and France, had voiced a renewed commitment to staying in Bosnia, at least through the winter, even though there had been no change to the political or military topography of the war.

Serbs minutely relaxed their pressure on the United Nations. They released 187 peacekeepers held for two weeks and took replacement hostages. A few humanitarian aid convoys were allowed through to isolated Muslim enclaves — Bihać, Gorazde, Srebrenica — but Serbs continued to block the resumption of the Sarajevo air bridge and deliveries of fuel to the UN mission.

Perhaps concerned about the prospect of exchanging lightly armed UN soldiers for tough NATO troops deployed for a UN withdrawal, the Bosnian Serb leader, Radovan Karadzic, declared that a UN pullout would be a humanitarian disaster for both Serbs and Muslims.

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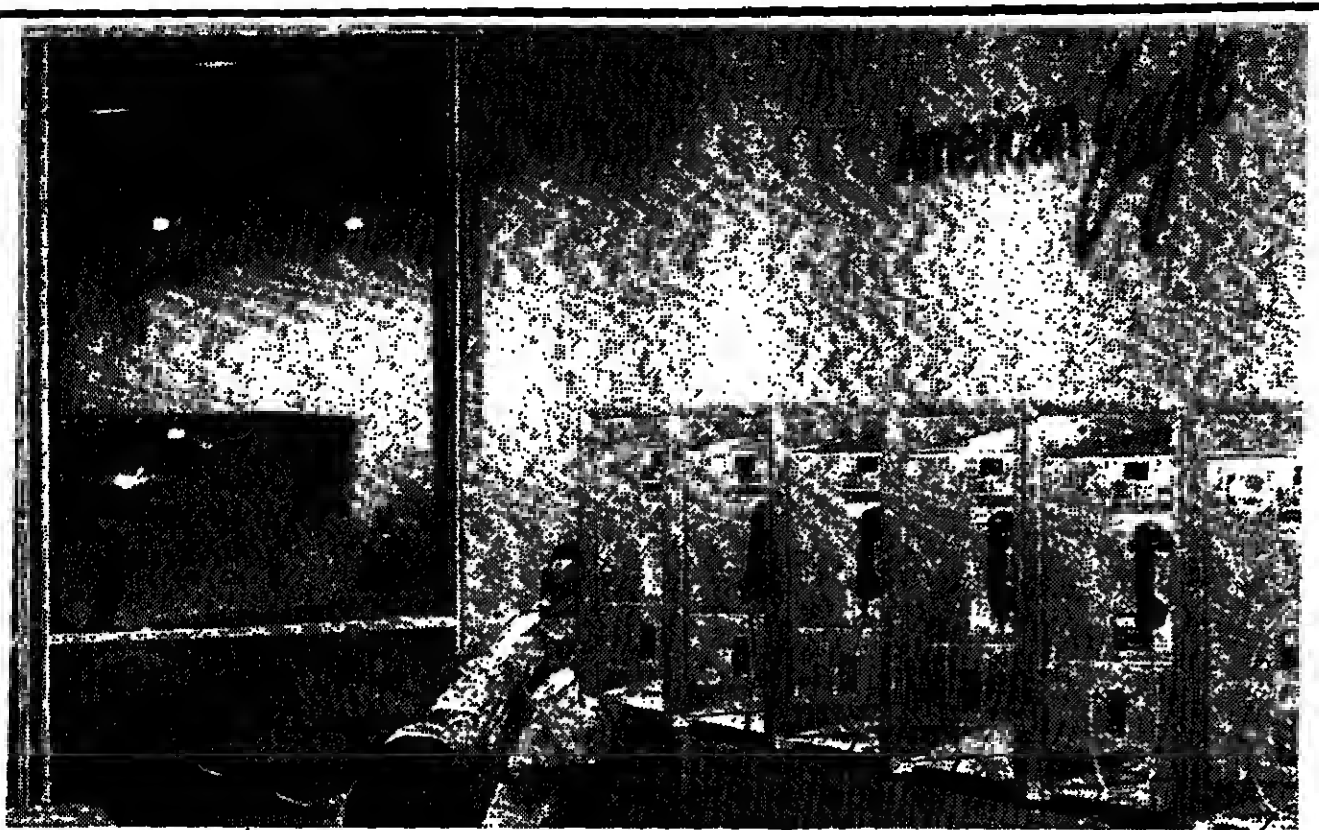
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A traveler at Chicago's O'Hare Airport making a rental car reservation after his flight was canceled by potentially icy weather. The Federal Aviation Administration has ordered ATR turboprop planes grounded in such conditions.

ATR Maker Protests U.S. Flying Ban

Compiled by Our Staff From Dispatches

TOULOUSE, France — The French-Italian maker of ATR planes called the U.S. government ban on its turboprop commuter aircraft unjustified and said it would conduct tests in California to prove it.

Avion de Transport Régional said Saturday that it "shares the FAA's worries" but suggested that the Federal Aviation Administration overreacted by grounding ATR-72 and ATR-42 planes in icy weather.

The FAA announced the ban on flying the ATR-42 and ATR-72 planes in icy conditions immediately after getting new test results from the manufacturer.

In Calgary, Alberta, Canadian Regional Airlines and Inter Canadian said in a statement that the ATR-42 planes not only were barred from flying in icy conditions but also were being grounded "in the interest of passenger safety and convenience."

The order will be in effect until further notice.

The FAA suspects icing caused the Oct. 31 crash in Roselawn, Indiana, of an American Eagle ATR-72. A total of 68 people were killed.

The National Transportation Safety Board, which investigates accidents, has not ruled on a cause of that accident, but it urged that the ATR-72 and ATR-42 not be flown in icing conditions.

ATR said the planes met FAA and French standards. The wind tunnel tests conducted by the company "furnish no basis that can justify the measures taken by the FAA," it said.

"We're going to do everything we can to get the Federal Aviation Administration to reverse its verdict," the ATR chairman, Henry-Paul Puel, said at a news conference. "We're not going to roll over that easily."

Mr. Puel said "high risk" tests would be carried out at Edwards Air Force Base in California in the next few days, simulating atmospheric conditions that preceded the Indiana crash.

The tests will involve a tanker dropping water on an ATR-42, Mr. Puel said.

More than 290 flights were canceled in Chicago alone within hours of the FAA order on Friday, which could affect as many as 15 percent of the seats available on regional air carriers. Some airlines plan to shift the affected planes to warmer parts of the United States.

Nine U.S. airlines fly 111 of the 40-seat ATR-42s and 42 of the 66-seat ATR-72s. A total of 62 companies worldwide fly 269 ATR-42s and 129 ATR-72s.

American Eagle grounded all 41 ATR commuter airplanes at Chicago's airport. American Eagle decided it was better to ground all flights than to inconvenience customers daily with last-minute decisions about cancellations, a company spokeswoman said.

American Eagle has the nation's largest ATR fleet, and O'Hare is its Midwest hub, where only ATRs are used by the company. American Eagle said it would try to get some of the passengers on flights, but some commuters to nearby destinations or refund their money.

(AP, AFP)

Serbs Hijack UN Fuel And Halt Aid Convoys

The Associated Press

SARAJEVO, Bosnia-Herzegovina — Bosnian Serbs hijacked a United Nations fuel convoy and on Sunday banned all heavy UN vehicles from their territory, halting many humanitarian aid convoys, officials said.

"This is an outrageously unacceptable behavior," said Lieutenant Colonel Jan-Dirk von Merveldt, a UN spokesman in Sarajevo.

But there appeared little the United Nations could do in the face of continued Bosnian Serb obstructions.

The Bosnian Serbs refused to grant clearance Sunday to a plane carrying the UN commander in Bosnia, Lieutenant General Michael Rose, to land at Sarajevo airport. General Rose, returning from a failed mission to visit his trapped soldiers in northwestern Bihać — a trip blocked by Serbs in neighboring Croatia — landed with-

out the clearance, a UN spokesman said.

The Sarajevo airport has been closed for weeks since Bosnian Serbs positioned surface-to-air missiles in the air corridor approaching the city. That has forced a shutdown in the humanitarian airlift, which supplies 80 percent of the needs of the Bosnian capital's 300,000 residents.

A three-truck Danish fuel convoy was hijacked in Bosnian territory near the airport Saturday night after gunmen blocked the front and rear of the convoy, Colonel von Merveldt said.

With one armed Serb in each vehicle, the convoy was forced to go to a Serb-held part of Sarajevo, where the peacekeepers were questioned. Serbs then agreed to release the troops, but two Danish officers refused to leave. They were believed to be somewhere in the Serb-held part of the city, Colonel von Merveldt said.

Rethink Neutrality, Rights Unit Tells UN

By Barbara Crossette

New York Times Service

NEW YORK — A leading human-rights organization is calling on the United Nations to reconsider its policy of neutrality and to act more forcefully against those who carry out atrocities in the new rash of small conflicts around the world.

"Faced with genocide and mass slaughter, neutrality should not be the ultimate value," the group, Human Rights Watch, said in a report. It calls the United Nations "unique in its capacity to legitimize force in the most extreme circumstances to uphold human rights."

The international survey, "Human Rights Watch World Report 1995," also accuses major industrial nations of following policies that subjugate, and sometimes obliterate, human rights concerns in the name of trade. It takes issue with the argument that economic growth leads to improvements in civil and human rights and the spread of democracy.

"Indeed, even if economic development could be correlated in the long term with improved respect for human rights — an unproved proposition — that would offer little solace to those who are imprisoned or tortured today," said the report. Human Rights Watch, which this year expanded its organization to new bases in Europe and Central Asia and also opened an office to scrutinize the United Nations, is sharp in its criticism of the Clinton administration.

The Clinton administration has also backed away from early promises to be tough on China, even publicly undercutting its assistant secretary of state for human rights during talks about renewing a favored trade status for Beijing.

Human Rights Watch said in its report that Washington was not alone in adopting "commercial diplomacy" as a policy. "Germany, France, Canada and Australia all vied for Chinese commercial contracts, with waning interest in Chinese repression," the report says.

"France, driven by geopolitical designs and commercial motives, led the charge to embrace Iraq's genocidal regime," it says. "The European Union, having concluded a cooperation agreement with India in 1993 conditioned on respect for human rights, lapsed into silence on the atrocities in Kashmir in 1994."

The report also surveys the situations in individual countries, grouped regionally. In addition, it looks at special projects ranging from arms control or prison conditions to women's and children's rights.

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WORLD BRIEFS

Journalist a Spy, Ex-KGB Officer Says

LONDON (Reuters) — A former KGB officer considered a British journalist who resigned last week over spy allegations a star informant and paid him more than £10,000, The Sunday Times reported.

The newspaper quoted Oleg Gordievsky, who once headed the Soviet Union's spy network in Britain, as saying that he considered the journalist, Richard Gott, to be a genuine agent.

Mr. Gott, a former Latin America correspondent and literary editor with The Guardian newspaper, has denied allegations that he accepted cash payments from a Soviet agent. He admitted the Soviet Union paid for him to travel to Vienna, Athens and Moscow to "meet their man" in the 1960s. He resigned from The Guardian last week, saying he had acted foolishly but had not been a spy.

Full Punishment Set for China Fire

BEIJING (Reuters) — Three days after at least 311 children died in China's worst fire in 15 years, Wang Lequan, acting Communist Party secretary of the Xinjiang region, vowed to punish those responsible with "the full fury of the law," the China News Agency said Sunday.

The fire raged through a hall Thursday when it was packed with more than 800 people, including 500 schoolchildren. When frightened children tried to escape, they were ordered to remain sitting and maintain discipline, an official said.

Most of the victims were sitting in front rows. They were engulfed in flames when a ball of fire erupted from the curtains and exploded into the auditorium, witnesses said. All the doors except one were padlocked, and iron bars blocked the windows. Preliminary investigations showed the inferno was sparked by an electrical short circuit in the roof.

Italian Neofascists Denounce Fini

BOLOGNA, Italy (AP) — Neofascist leaders denounced Gianfranco Fini as a traitor to the movement Sunday, as the steering committee of the Italian Social Movement, or MSI, in effect completed the break Mr. Fini sought from the group. But it could also pose a challenge to Mr. Fini's National Alliance party, part of the governing coalition, by drawing away its far-right ranks.

The movement's leaders said they would seek court permission to retain the group's name and its flame-shaped symbol after Mr. Fini severs it from the National Alliance. Mr. Fini, seeking to distance his rightist party from its hard-line roots, plans to hold a meeting next month to banish the MSI and strike its flame symbol from the National Alliance emblem.

The movement's leaders approved a statement "marking the demise of Fini from the membership and as national secretary of the MSI for resounding and chronic violations of the rules of the party," the ANSA press agency reported.

Bangladesh Judge's Home Bombed

DHAKA, Bangladesh (AP) — Three bombs exploded Sunday in the home of a judge who ordered opposition lawmakers to end their nine-month boycott of Parliament. The explosions damaged a car and wounded its driver, the police said.

The bombs — tin pots of explosives and glass fragments — were tossed inside the judge's home before he left the courtroom. No one took responsibility for the attack, but the judge, Kazi Monwaruddin, said the ruling was "the apparent reason."

He and another High Court judge ruled Sunday that the boycott, aimed at forcing out Prime Minister Khaleda Zia, was illegal. The court did not say how it would enforce its ruling. Opposition lawmakers accuse Begum Zia's government of vote fraud, corruption and inefficiency. They want her to step down and call general elections, which are not scheduled until 1996.

TRAVEL UPDATE

A Rocky Road for Travelers in Spain

MADRID (AP) — Surface and air travel in Spain appeared headed for a rough week Monday, with railroad, airline and subway strikes scheduled. A nationwide strike will force a cancellation of all international and long-distance train service, while maintenance and service unions plan a simultaneous 24-hour stoppage against Iberia airlines.

Iberia pilots, who turned down the management plan to keep the cash-strapped national carrier airborne, approved their own plan on Sunday for the airline's future and called on service and ground crews to reject management proposals.

Transport Ministry officials said Sunday they would concentrate on maintaining commuter service on RENFE, the state railroad system, through an agreement with striking unions.

The Brussels international airport opened a new 21-billion-franc (\$656 million) terminal Sunday that should increase the number of passengers it can handle from 6 million to more than 20 million a year.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Kenya, Mauritania, Mexico, Thailand, Venezuela.

TUESDAY: Malta.

FRIDAY: Bahrain, Bangladesh, Kazakhstan, South Africa.

SATURDAY: Bhutan, Sri Lanka.

Sources: J.P. Morgan, Reuters.

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THE AMERICAS / SHRINKING THE CIA

Ex-Intelligence Chief Urges a Sharply Trimmed Agency

By Walter Pincus
Washington Post Service
WASHINGTON — Robert M. Gates, a former director of Central Intelligence, has drawn up a far-reaching proposal to create a dramatically smaller, more focused spy agency by transferring some of its functions to the Pentagon and other agencies, and the plan has attracted the attention of senior administration officials.

At the White House, where the National Security Council is preparing its own plans for intelligence in the coming year, Mr. Gates's ideas were described by one senior official as "interesting" and "reflective of some of our thinking."

Mr. Gates, whose 20-year agency career also included service on the security council staff under three presidents — Gerald R. Ford, Jimmy Carter and George Bush — developed his proposals in the course of making speeches to audiences concerned about the future of the Central Intelligence Agency. He recently described them to a small Washington audience, including legislators and administration experts.

Among the more controversial elements in his proposal is the creation of a director of military intelligence and transferring to that four-star officer and the Pentagon all of the CIA's responsibility for analysis of foreign weapons and military force levels. "This would end the competitive military analysis between the services and CIA," Mr. Gates said.

The only exception would be to have the CIA continue collection and analysis involving nuclear, chemical and biological weapons of mass destruction, so that there would continue to be competing analyses to make certain nothing is missed.

Under the Gates plan, the individual military services would also be given responsibility for paramilitary operations around the world, most of which in the past have been carried out as covert activities of the CIA.

Intelligence Agency, the intelligence components of the separate military services and their unified commands.

Mr. Gates would also take the CIA's science and technology directorate out of managing imagery satellites, the ones that take photos, radar or infrared images from space.

That responsibility would be given either to the National Reconnaissance Organization or to a new National Imagery Agency, based in the Pentagon.

★ POLITICAL NOTES ★

Polishing an Image, and Stepping on Toes

WASHINGTON — House Republicans have hurried to show that they are different not only from the dethroned Democrats, but also from the popular conception of Republicans as a homogenous party of uncaring, rich white men.

The party has elevated more women to important positions than have the Democrats, has tried to reach out to black liberal Democrats, and moved to open up debate on the House floor, which had been tightly controlled by the Democratic leadership in earlier Congresses.

The House speaker-to-be, Newt Gingrich of Georgia, has sought to soften his confrontational image, changing his rhetoric on welfare reform, pushing some family-oriented policies for legislators and backing off an austerity measure to deny dismissed House employees accrued vacation pay.

Some of the changes have caused problems, both for the party and for Mr. Gingrich personally. For example, after Mr. Gingrich opened discussions with Democrats in the Congressional Black Caucus — in hopes of reaching compromises with them on the conservative goal of a capital gains tax cut — he infuriated them by supporting a move to take away the offices and budgets of 28 caucuses, including those for black, Hispanic and female lawmakers. (WP)

Clinton Foreign Policy: Some Optimism

WASHINGTON — While Republican legislators map plans to attack President Bill Clinton's foreign policy, he can take heart that his worst nightmare is not being realized: Jesse Helms of North Carolina, the new chairman of the Senate Foreign Relations Committee, will not single-handedly determine his party's agenda.

Instead, the mix will include several moderate voices, including Senator Bob Dole of Kansas, the incoming majority leader, Senator John S. McCain 3d of Arizona, a leading Republican strategist on national security matters, and Benjamin A. Gilman of New York, the new chairman of the House Foreign Affairs Committee.

These and other Republicans are already bickering among themselves, a development that could enable Mr. Clinton to gain their backing in foreign policy disputes. He may even be able to pick off enough Republicans to prevent Congress from blocking some of his diplomatic initiatives. (NYT)

Clinton Shoots Down Gingrich Proposal

WASHINGTON — President Bill Clinton has opened fire at Representative Gingrich, saying in his weekly radio address that those who advocated putting children in orphanages as an alternative to welfare were "dead wrong."

The president has announced plans to meet with Republicans and Democrats from around the country next month to share ideas about overhauling the welfare system. But aides said that although Mr. Clinton remained open to compromising with the Republicans, he believed it was important to draw the line against a proposal that has proved controversial even among Republicans.

Mr. Gingrich has proposed that money saved by denying welfare benefits to young mothers be used to provide services to children, including promoting adoptions and establishing orphanages or group homes. (NYT)

Quote/Unquote

Harvey Fineberg, dean of the Harvard School of Public Health, after the Surgeon-General Joyceelyn Elders was forced to resign for saying that masturbation should perhaps be taught in public schools: "Dr. Elders's great virtue was her willingness to speak out as she saw the needs and the problems. I think it was also her undoing." (WP)

Americas Summit Splits Over Cuba

By William Booth
Washington Post Service
MIAMI — Although President Bill Clinton wanted to keep Cuba off the agenda at the Summit of the Americas, more than 50,000 flag-waving, coffin-carrying Cuban exiles and their supporters who marched into the Orange Bowl stadium had other ideas.

The issue of Cuba is among the most divisive for Latin American leaders, who are split on hashing President Fidel Castro or trying to bring his country into the hemispheric family with freer trade and fuller relations as an enticement.

For years, many Latin Americans have applauded Mr. Castro for needing the Yankee imperialists. But with the end of the Cold War and the collapse of Cuba's protector, the Soviet Union, Cuba increasingly is seen in the region as an anachronistic failure.

In one of the largest demonstrations in years, tens of thousands of Cuban immigrants and their children poured into the Orange Bowl on Saturday, where they sang the island's national anthem and chanted for its liberation from Communist rule.

The Clinton administration wanted to keep the talks at the summit focused on free trade, but the Cuban exiles and their political allies have kept pushing the administration and the Latin American dignitaries to demand that Mr. Castro, the

only leader in the hemisphere not invited to Miami, hold free elections. The other 34 leaders in the region have been elected by popular civilian vote.

President Carlos Saul Menem of Argentina could probably be elected mayor here now, after breaking ranks with other Latin American leaders by pledging to push for democratization on the island.

On Saturday, in private meetings with the 34 leaders of the hemisphere, Mr. Menem again raised the issue of Cuba and, according to Argentine sources, now has the support of at least several Central American leaders.

Several Caribbean leaders say they want to transform Cuba not by attacking Mr. Castro but by engaging him and pressing the Clinton administration to resume relations with the island.

"If the United States can establish diplomatic ties with North Korea and Vietnam, we can see no basis why diplomatic relations cannot exist with Cuba," Prime Minister P.J. Patterson of Jamaica said recently.

Yet even Mr. Menem advocates something the Miami Cubans are dead set against: dialogue with Mr. Castro. The Cuban exiles believe that by continuing to isolate and denounce the Cuban leader they will eventually topple his 35-year-old regime.



Cuban women in symbolic chains and wearing "P" for "prisoner" shirts demonstrating against Fidel Castro in Miami.

Away From Politics

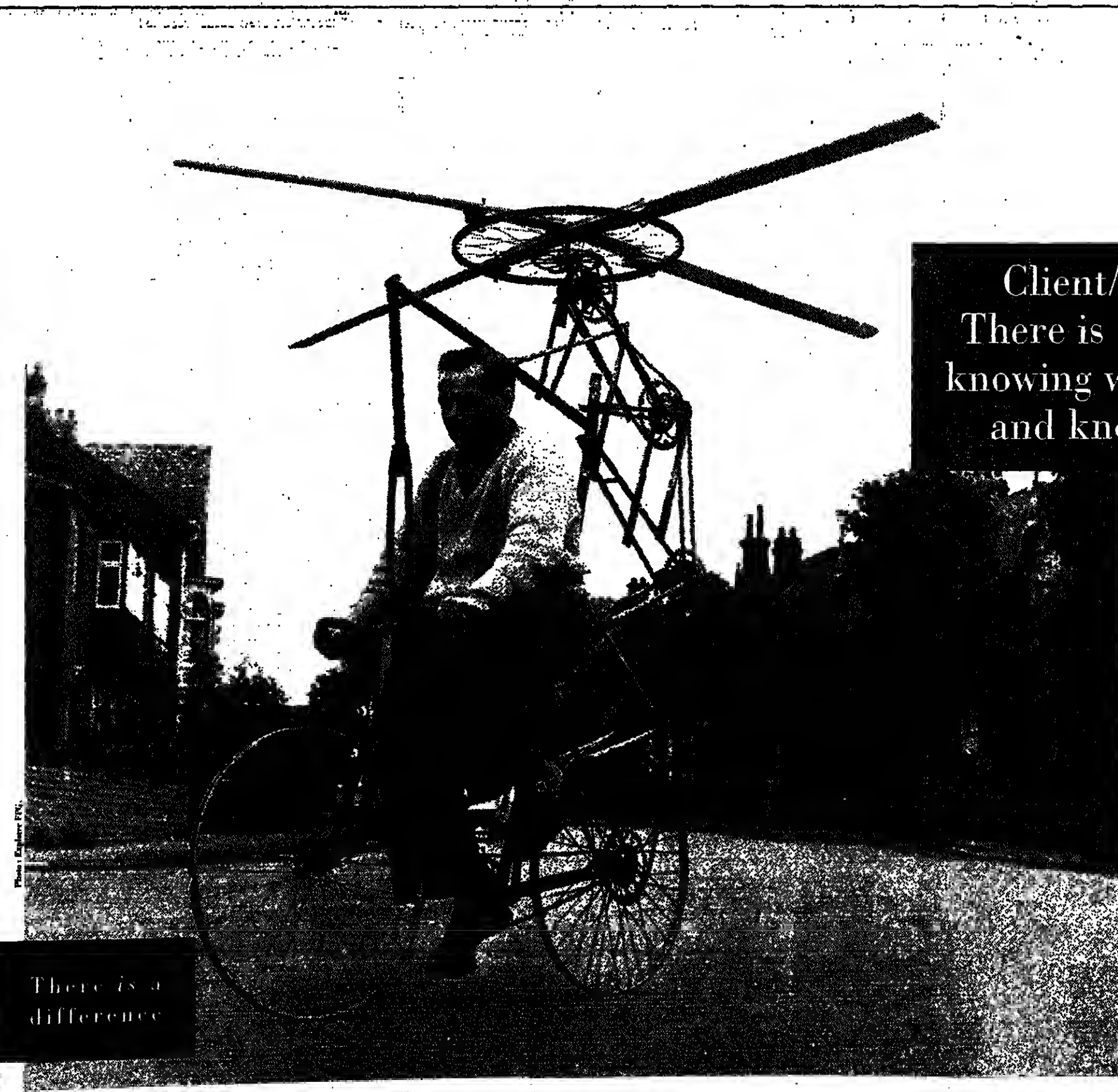
• A convict was put to death by lethal injection in Huntsville, Texas, for a 1984 barroom killing of which he professed innocence. Raymond Kinnaman, 53, made a 35-minute final statement in which he condemned the death penalty. (Reuters)

• A 19-year-old shot and wounded his former girlfriend and another teenager in Pelham, Georgia, just before a Christmas parade, then killed himself with a bullet in his head. Charles Earnest Swiley fired

a hunting rifle with a scope from behind a hedge about 25 yards from the parade staging area where about 200 people had gathered, a police investigator said. (AP)

• A jury awarded more than \$1.8 million to a woman who claimed the funk singer Rick James and his companion beat her and held her hostage in a hotel room in Hollywood, California. The jury is to meet Monday to consider whether Mr. James should pay punitive damages to Mary Sauger, her lawyer said. Mr. James, 45, was convicted of assaulting Miss Sauger and was sentenced in January to five years and four months in prison. His companion, Tanya Anne Hiji, 23, was sentenced to four years in prison. (AP)

• Two survivors of a Ukrainian cargo ship that sank Friday in a North Atlantic storm were found and rescued by a helicopter and a merchant vessel on Saturday as a wide sea-and-air search continued 1,200 miles off the New Jersey coast for 29 other members of the ship's company. The Coast Guard reported late Saturday that merchant ships in the search area had recovered the bodies of seven of the missing men. (NYT)



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From Fiendish Predator to Furry Victim: Wolf Is Poised for a Return to West

By Timothy Egan

New York Times Service

YELLOWSTONE NATIONAL PARK, Wyoming — After more than a century of policy flip-flops that saw the gray wolf go from the most loathsome animal in America to the celebrated subject of environmental impact statement ever done, the mythic predator is a single court hearing away from a formal return to the American West.

That it has taken two decades, 120 public hearings, directives from six presidents, dozens of congressional committees and \$12 million worth of studies to get to a point where wolves could soon run through Yellowstone National Park tells much about the heavy load of significance that has been saddled to the wolf.

What federal biologists hope to do in early January is place a predator with a lust for fresh meat back into a part of the country that is overrun with

moose, elk and deer — staples of a wolf's diet.

But even as Yellowstone park rangers put the final touches on one-acre (half-hectare) pens intended to acclimate the wolves to the park's Lamar Valley, cattle and sheep ranchers are balking at the historic turnaround in attitudes and policy.

The ranchers, the biggest beneficiaries of the campaign ever done, the mythic predator is a single court hearing away from a formal return to the American West.

On Dec. 21, a federal judge in Wyoming will decide whether to issue a preliminary injunction.

For those most passionate about bringing the wolf back, the project is viewed as a grand restorative deed, balancing a zealous act of one era with a corrective act of another.

It is absurd, they argue, that wolves still roam free not far from their urban masses of Rome, but yet cannot be allowed inside North America's

largest temperate zone ecosystem, the greater Yellowstone area.

Without wolves, the world's first national park "is a heart without a heartbeat," in the words of Renee Askins, founder of the Wolf Fund, based in Wyoming and devoted to returning the animal to this area.

Under the plan, 30 wolves in Canada, tagged with radio collars so biologists can track them, are to be brought into Yellowstone and the wilderness

of central Idaho, 15 to each area. Over five years, the plan is to establish a population of about 150 wolves in each area.

But to ranchers, one person's call of the wild is a nuisance with a 1,500-pound-per-square-inch bite. They see an America where less than 2 percent of the population works the land and where beef prices continue to fall with declining demand.

"When wolves were a fact of the area, most people made their livelihood from the land," said Bill Wheeler, a third-generation rancher in western Montana. "Now, only one and a half percent of the population is involved in agriculture, and the other 98 plus percent have been indoctrinated by the wolf."

Studies in Minnesota, where nearly 1,700 wolves live among dairy farms, and in northwestern Montana, where a few wolves have trickled down from Canada, show that very few domestic animals are killed by

wolves. The rate in Minnesota is less than one loss per 10,000 cows. And in Montana, dogs kill far more sheep than does any wild predator.

Federal biologists say fewer than 20 cattle and 110 sheep a year would be lost to wolves near Yellowstone.

But if livestock loss is not the real issue, what exactly has made wolf restoration such a complicated, divisive and expensive effort?

Ranchers say keeping the wolf out of the West is a symbolic stand for control. Wolves, like bison, were eliminated from the West to make way for cows and sheep.

Some farmers think they are being pushed aside now to allow a bit of the wild back into the equation. With restoration, they fear, will come a host of regulations.

Now, even in their own communities, ranchers seem to be losing the spin battle.

A few years ago, schoolchildren in Bighorn, Wyoming, a tiny ranching town on the front range of the Rocky Mountains, were asked to conduct a mock civic debate on the wolf. To the surprise of their parents, none of the middle-school children wanted to take the side against wolves, teachers said.

A 1991 poll by the fish and game department in Wyoming, perhaps the most conservative state in the West, found that a majority of those surveyed favored a return of the wolf.

House Republicans Give Newcomers Choice Committee Posts

By Guy Gugliotta

Washington Post Service

WASHINGTON — House Republicans have handed large numbers of Republican freshmen coveted committee assignments in the incoming Congress, but they have outraged Democrats, who are slated to

lose nearly a dozen sitting members from key panels.

The incoming majority leader, Richard K. Armitage of Texas, announced the assignments and the new Congress's committee structure, a major step in the Republicans' takeover of the House for the first time in 40 years.

During the transition, Republicans have taken great care to tout the accomplishments of their 73-member freshman contingent, and Mr. Armitage gave them their reward: seven seats on the Appropriations Committee and three on Ways and Means, the powerful panels charged with spending money and raising it.

"If you're able enough to get the job, you're probably able enough to do the job," said an ebullient Mr. Armitage. "And when you say 'a bunch of freshmen,' this is not like a bunch of

grapes — sour or otherwise. These are skilled, able people with good professional backgrounds, good professional training."

Mr. Armitage's enthusiasm engendered no pleasure in Democratic ranks. Frequently damned by the Republicans for tyrannizing the minority during their long-running House dynasty, Democrats are scrambling to fill a sharply reduced number of committee slots.

With the Republicans' determination to shrink the overall size of committees, conformity

means Democratic incumbents will lose committee seats and seniority they have grown so accustomed to. This is particularly true of Appropriations and Ways and Means, both of which are "exclusive" committees deemed to be so important that members are either ennobled or discouraged from serving on other committees.

Republicans have shrunk Appropriations to 36 from 60 members, and Democrats will go to 24 minority seats from 37 majority seats; 31 of the committee's Democrats were re-

lected, so under Republican rules seven must lose their seats. At Ways and Means, Democrats must lose four incumbents.

Some affected members tried to be gracious. "We have never made a sitting Republican come off a committee," said the Democratic whip, Representative David E. Bonior of Michigan. "We've always accommodated them. This represents a hypocritical position on their part."

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ENGLISH MOTHER TONGUE SECRETARIES	Clifford Chance	Antoine Tirard, DRH Clifford Chance 112, av. Kleber, 75116 Paris - France
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AMERICAN TOPICS

New Jersey Makes Its Lawyers Face the Music in the Open

This fall, New Jersey became the 31st of the 50 states to open its disciplinary proceedings against lawyers. Like many states, New Jersey changed its rule after a 1992 American Bar Association report urged openness, not only to deter other lawyers from becoming wayward but also to let consumers know whether a lawyer has been disciplined or faces charges.

Many lawyers disagree. Most grievances, they say, are filed by vengeful clients dissatisfied with the outcome of their cases. Eventually, the overwhelming majority of those grievances will be dismissed, they say, hot by then the publicity will have irreparably damaged the lawyer's reputation.

Historically, a complaint against a lawyer was kept secret until a punishment was decreed, and that could take years. Like almost all the states that have made the switch, New Jersey now opens hearings once an investigation has found

probable cause that the lawyer has violated an ethics rule.

Although the trend is toward opening the hearings, proceedings against lawyers remain tightly shuttered in 19 states. Even the medical profession is more open to scrutiny than lawyers in those jurisdictions.

Short Takes

A commercial diver harvesting sea urchins in the Pacific Ocean about 40 miles (65 kilometers) off Santa Barbara, California, was killed by what apparently was a great white shark. If confirmed, it would be the first fatal shark attack in California waters since 1989. James Robinson, 42, died at a hospital about two hours after the attack, which occurred after dark. The area is known as "Shark Alley" because great white sharks congregate there to hunt the plentiful seals and sea lions.

When Crime Doesn't Pay: David Lee McCumsey Jr., 18, went to a hardware store looking for work and allegedly stole two handguns and a watch. Police-men in Homosassa Springs, Florida, say he was not hard to find: he left his job application behind. He was charged with larceny and released on \$4,250 bail. ...

Two suspected drug traffickers landed their plane at a U.S. Air Force base near Merced, California, instead of a nearby civilian airport, officials said. Edward Velez and José Gonzalez were taken into custody, officials said, when a search of the aircraft revealed two pounds of methamphetamines with an estimated street value of \$16,000.

A single sheet of paper bearing an autograph copy of the classic poem that begins "Twas the night before Christmas" was auctioned Friday for \$255,000 at Christie's in New York. The buyer was Ralph Gaddie, an Illinois gift retailer. The author, Clement Clarke Moore of New York, left just three copies of the poem in his own hand. Moore wrote the poem — formally titled "A Visit From St. Nicholas" — in 1823.

Americans spend \$5.6 billion a year on perfume, The Washington Post reports, and 75 percent is spent by men for Christmas presents.

A New York Times reader, Ann Root, reports in the Metropolitan Diary column that her son, asked in an elementary school quiz to name one of George Gershwin's compositions, put down "Rap City in Blue."

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Source: [†] VIVA Surveys '92/'93. * Reader Survey '94.

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The Nigerian Junta Is Tightening Its Grip

'We've Never Seen Anything Like This,' Lagos Lawyer Says

By Howard W. French
New York Times Service

LAGOS — When Nigeria's military leaders crushed a strike in August aimed at forcing them to respect the results of nullified national elections, many people braced for another long chapter of stern rule by an army that has controlled power for most of the country's 34 years of independence.

In its latest attempt to tighten control, the military suspended habeas corpus, a protection against illegal imprisonment, a week ago.

The move, which denies arrested people the right to appear before a judge, comes as the government pursues its roundup of opponents and ignores court rulings providing for the release on bail or for medical treatment of the man believed to have won the presidential election in June 1993.

"The military has been going around giving speeches saying they respect the independence of the judiciary," said Ise Sagay, a Lagos lawyer and human-rights advocate. "Of all the dictatorships we have suffered, we have never seen anything like this before."

Opposition to military rule is rising, feeding renewed hopes of a return to democracy.

In a surprising show of the spreading disaffection, delegates to a conference set up to rewrite the constitution ignored urgings by army leaders that they be granted as much as three more years in power.

Instead, the conference last week demanded new elections and a transition to civilian rule by Jan. 1, 1996.

The constitutional gathering, in the capital, Abuja, had been widely considered an exercise to buy time for the military leader, General Sani Abacha, and to provide legal cover for his government's imprisonment in June on treason charges of Moshood K. O. Abiola, presumed winner of the 1993 election.

But with the popular mood turning strongly against the army after a sharp decline in living standards in the last year

and Mr. Abiola's continued detention, many politicians at the conference seem to have decided that the only way to save their careers is by turning on their military patrons.

Delegates reported that the government had sought to sway their decision on the transition by threatening withdrawal of official vehicles and other perquisites, but those who urged a slower bandover to civilian rule had nonetheless been shouted down by the majority.

Diplomats say that if the government can count any successes since it took power one year ago, it has been in generating resignation among Nigerians, including many of Mr. Abiola's supporters, about his ever taking office.

"This is really the bottom line for these people, that Abiola never be allowed to become president," said one diplomat, referring to the government.

Government officials who publicly maintain that Mr. Abiola is receiving fair treatment

ment concede in private that no amount of legal arguments will secure his freedom.

The official said the government feared that if he was released, Mr. Abiola, a wealthy publisher, would "use his fortune" to revive his claim on the presidency.

Diplomats who have seen him in jail say Mr. Abiola, who has long suffered from high blood pressure and circulatory problems, has recently had neurological and "severe digestive problems."

Along with many Nigerian political analysts, these diplomats say that now that the constitutional conference has established a date for civilian rule, there are two primary threats to the military.

One is the likelihood of unrest if Mr. Abiola dies in prison. The other is a new wave of opposition, coupled with strong international pressure, that would be sparked if General Abacha refuses to abide by the bandover date.

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Iran Is Backing Education, Not Punishment

New York Times Service

TEHRAN — Iran has declared that education and rehabilitation have replaced punishment for convicts and invited international organizations to inspect the country's prisons.

As part of the new policy, journalists were granted a tour of a penitentiary where tens of thousands of political dissidents have been detained, tortured and executed since 1964.

Nonetheless, the authorities denied journalists' requests to visit the solitary wing of Evin Penitentiary.

The tour of Evin, the second this year, was seen as an attempt to address recent reports of human rights abuses, including a report by the UN human rights commissioner accusing Iran of violating the rights of women and religious minorities, among other things.

Lord Joseph, 76, Ex-Cabinet Minister And Senior Thatcher Adviser, Dies

By Richard W. Stevenson
New York Times Service

LONDON — Lord Joseph, 76, a former cabinet minister and one of the main ideological architects of the Conservative Party's free-market philosophy under Prime Minister Margaret Thatcher, died Saturday.

A spokesman said the cause of death was chest complications from a stroke he suffered last year.

Keith Joseph was a Conservative member of Parliament from 1956 until 1987. During that period, he served in a succession of cabinet posts, starting with the post of minister for housing and local government from 1959 to 1961 and ending as education and science secretary for five years until 1986.

Mrs. Thatcher considered him one of her chief mentors and most important aides. She entrusted to him a central goal of her administration when she became prime minister in 1979 — that of transforming British industry by privatizing state-

owned companies and diminishing the power of unions.

He served as secretary of state for industry for two years, until 1981, and played a central role in breaking a strike at British Steel. He also helped begin a process that led over the next decade to the sale of British Airways, British Telecom, and many other large state-owned companies.

As education secretary, he clashed bitterly with the teachers' unions in an effort to hold down pay increases.

In a statement, Lady Thatcher said: "Today I have lost one of my dearest friends, England one of her greatest men."

William Luce, News Editor Of The New York Times, 70
NEW YORK (NYT) — William Luce, 70, a former news editor of The New York Times, died Friday in Jacksonville, Florida, where he was vacationing. He lived in Englewood, New Jersey. The cause of death was an aneurysm, his family said.

A shirt-sleeve editor with a

zest for life, Mr. Luce was an old-fashioned newspaperman who turned his skills to shaping local, national and cultural coverage at The Times, rising to the position of news editor, in which he supervised the editing of the newspaper.

Mildred Hillson, 96, who raised millions of dollars for charities, museums and the Republican Party, died Saturday in New York.

Antal Apró, 81, an old-guard Communist leader and former deputy prime minister who opposed the 1956 uprising against Soviet rule, died in Budapest Friday.

Phoum Sipraseth, 74, the deputy prime minister of Laos, died of a heart attack in Vientiane, the official Vietnam News reported in Hanoi on Friday.

Israel Aaron Maisels, 89, an attorney who successfully defended Nelson Mandela and other senior anti-apartheid activists in several trials, died Thursday.

BRIDGE

By Alan Truscott

THE captain of one contending team in The Fall Nationals of the American Contract Bridge League, was Michael Becker, who held the West cards on the diagramed deal in the Spingold Knockout Teams. He opened the bidding with one diamond, then found himself defending four hearts after a take-out double by North.

The opening lead was the club king, and when East played a discouraging club, the chance for successful defense seemed poor. There was little point in shifting to the singleton spade, since East could not have an entry. The obvious play was to cash the club ace and hope for something good to happen.

That was what West did in the replay, and nothing good happened. When a third club was played, South won in dummy, crossed to the spade jack and led a trump. When the jack was played and won with the king, he led another trump, hoping for an even split, and was rewarded.

Becker made a subtler play. At the second trick, he led an

apparently innocuous diamond to dummy's diamond ace. This gave South another possibility and he snatched it, unwisely as it proved. He crossed to the spade jack and played his diamond winners, throwing the remaining clubs from the dummy. East ruffed, and gave his partner a spade ruff to beat the contract.

Should South have seen through the trap? Maybe — but give Becker credit for setting it.

NORTH
AKQ4
KQ865
A
QJ8

WEST (D)
3
AJ
87542
AK103

EAST
1089652
103
96
876

SOUTH
8742
KQ103
542

Both sides were vulnerable. The bidding:
West North East South
1 1 2 3
2 4 4 4
Pass

West led the club king.

GOING ABROAD: European Travel in Nineteenth-Century American Culture

By William W. Stowe. 251 pages. \$24.95. Princeton University Press.

Reviewed by Jonathan Yardley

EARLY in the 19th century, Americans started venturing across the Atlantic to Europe in ever-growing numbers. As William W. Stowe puts it in "Going Abroad," "With the large-scale introduction of fast, comfortable and fairly reliable North Atlantic steamships and the roughly simultaneous expansion of European railway networks, the tide of the early 19th century became a torrent, and the American tourist in Europe became a commonplace." Or, in the words of one of those tourists, Mark Twain: "During that memorable month I basked in the happiness of being for once in my life drifting with the tide of a great popular movement. Every body was going to Europe — I, too, was going to Europe. Every

body was going to the famous Paris Exposition — I, too, was going to the Paris Exposition. The steamship lines were carrying Americans out of the various ports of the country at the rate of four or five thousand a week, in the aggregate. If I met a dozen individuals, during that month, who were not going to Europe shortly, I have no distinct remembrance of it now."

They went to Europe, but why? The explanation might seem close at hand — to see the famous sights, to soak up culture, to have a good time — but it is not in the nature of contemporary American scholarship to settle for the obvious; instead, beneath the surface of ordinary human events one must be ever-alert for Meaning. Thus it is that Stowe, who teaches English at Wesleyan University in Connecticut, has plumbed the travel writing done by many of these innocents abroad and has found in it not merely Meaning but also Correct Meaning.

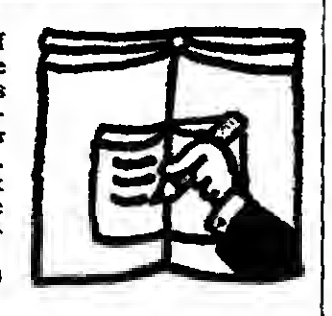
Yes, the subject of correctness is tiresome, but when its ugly head is reared there's little to do save recognize it for what it is. Thus we have Stowe asserting in his preface that "one way

BOOKS

WHAT THEY'RE READING

● Louis Begley, president of PEN American Center and the author of "The Man Who Was Late: A Novel," has just finished reading "Le Mauvais Genre" by François Nourissier. "The most marvelous book about writing in general, the uses of memory and other novelistic concerns."

(Mavis Gurnard, JHT)



the past to suit the ideological convenience of the present.

Thus we have Stowe, who clearly is determined not merely to placate his feminist colleagues but to be more feminist than the queen. "Going Abroad" is riddled with the stale rhetoric of chic scholarship: Not merely are "empowerment" and "privilege" and "domination" pervasively present, but the reader is treated to such twists of the knife as "canonized sights" instead of what normal people would call "tourist attractions." So reading "Going Abroad" is a vexing if not infuriating task made all the more so by the recognition that beneath all the obligatory rhetoric is an intelligent mind.

Studying the chronicles of the famous as well as the unknown, Stowe shows how Americans sought, consciously or not, to improve and redefine themselves in the Old World. But just about every time he writes something sensible, he follows it with indigestible prattle such as "the historically problematic class and gender identity of certain 19th-century men." The final result is a book that will appeal only to true believers and will seem, to all else, a missive from another planet.

Jonathan Yardley is on the staff of the Washington Post.

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The engines are quietly humming at 37,000 ft. above the Indian Ocean. And you wish you could sleep. Then you remember who you're flying with.



Zzzzzzz.

In Chechnya, a Touch of Old Soviet Style

By Steven Erlanger

New York Times Service

MOSCOW — Russia's invasion of Chechnya, the small, fierce Caucasian state that declared independence three years ago, will make the visits to Moscow this week by Vice President Al Gore and Defense Secretary William J. Perry that much more difficult and delicate.

Mr. Gore and Mr. Perry will inevitably try to restore a sense of comity and momentum to a relationship that to Washington, at least, suddenly seems to have lost its spark.

Similarly, Secretary of State Warren M. Christopher plans a meeting with Foreign Minister Andrei V. Kozirev to "clear the air" after sharp Russian opposition last week to U.S. policy on NATO, Bosnia and Iraq.

But the invasion of Chechnya, and the manner in which it was done, will hardly help the Clinton administration's efforts to preserve its aid-Russia policy with the incoming Republican Congress.

Chechnya, a mountainous and obstreperous state of only 1.3 million people and seemingly as many feuding clans, is part of Russia, and Moscow has never accepted its independence.

Washington has taken the position that, unlike the cases of Azerbaijan or Ukraine, what happens in Chechnya is "an internal Russian affair."

But it can hardly ignore what seems to be a new aggressiveness on the part of a Russia with whom it was talking of close partnership only a year ago.

The way the government of President Boris N. Yeltsin has moved to subvert the

Chechen leadership, with the establishment and funding of a "liberation force" and a nominally secret, though poorly hidden military intervention, has all the ring of the old Soviet style in Africa and the Third World.

It seemed to be taken straight from Soviet textbooks on destabilization, said Oleg Kalugin, a former KGB general, and

NEWS ANALYSIS

it is an indication of how much Mr. Yeltsin seems, these days, to be depending on the "power ministries" he controls — the military and the intelligence services — and paying less attention to either public or parliamentary opinion.

"It's done in the old style, and it's a disaster, which the democrats and the intelligentsia cannot support," said Mr. Kalugin, who broke with the KGB and considers himself a liberal. He pointed to the immediate opposition to the invasion expressed by Yegor T. Gaidar, the former prime minister, who has been reluctant to break with Mr. Yeltsin on any other issue.

"It's a clear sign of the growing, if not overwhelming, influence of the security people on Mr. Yeltsin," Mr. Kalugin said.

It is also a sign of a leader who has made a different set of alliances. Three years ago, when he was the hero of the democrats and in the process of destroying the Soviet Union, Mr. Yeltsin listened to his former vice president, Alexander V. Rutskoi, and tried to crush the Chechen rebellion.

But the Chechens resisted, and the Russian Parliament ordered him to pull the

troops back. He complied, but it is unlikely that he would today.

It is not just that Mr. Yeltsin has moved to the center, seeking support from nationalists and not just from democrats, who have been divided and not especially popular. To fail twice in Chechnya would destroy Mr. Yeltsin's authority, and it would also underline the weakness of the central government.

The battle against Chechnya can be portrayed as a fight for Russian unity and against chaos and crime, given the prominence of Chechens in the so-called mafia that bedevils and corrupts all of Russia. And if Mr. Yeltsin is lucky, a Chechen population tired of three years of poverty and confusion under its current leaders will not strongly resist a Russian intervention on the side of more "reasonable" Chechens.

But the Russian invasion is more likely to create a stronger Chechen patriotism in a region only conquered by the czars in 1878, after a long and nasty guerrilla war that presaged Afghanistan. And the Chechens have the capacity to bring the war to Moscow with terrorist incidents.

More concretely, Russia is now faced with the traditional military problem, well-known to Americans in Vietnam or Somalia: It's easy to get in and hard to get out.

Mr. Yeltsin is in the hospital, recovering from a conveniently timed operation to his nose, apparently damaged in a childhood scrap, and it is probable that he will be unable to see whom Mr. Perry gets to meet, given the open opposition of some high-ranking military officers.

DELORS: Not a Candidate

Continued from Page 1

pleased governments in Paris, including conservative ones.

This rare mix of ideologically contradictory views has always made Mr. Delors a disconcerting figure in French politics.

A former Socialist finance minister who ended up imposing budget austerity as the path for national competitiveness, Mr. Delors became in Brussels the architect of a stronger Europe in which member governments pooled their powers in order to operate on a par with the United States and Japan.

As a potential presidential candidate, Mr. Delors said that France should take the leadership of a better organized European community at the cost of delegating some sovereignty to a streamlined European Commission — a view close to Bonn's thinking but opposed publicly by all French conservatives.

When he emerged as a possible candidate this fall, opinion polls showed him as the nation's favorite, partly because of his image as a man of rock-like personal integrity at a time when France has been wracked with corruption scandals.

But French opinion also remained widely opposed to the Socialists, who suffered a landslide defeat in Parliament last year, so Mr. Delors faced an uphill battle in trying to translate his personal popularity into a working political majority.

If he had run, Mr. Delors was expected to announce that, if elected, he would immediately hold a national referendum to increase the powers of Parliament and make other institutional changes to improve the balance of authority in the French system.

With that reform to give him momentum, he could then have called for new national elections in hopes that Socialists would recapture enough seats for Mr. Delors to tempt the center-right parties to break ranks with the conservatives and form a new centrist voting block.

TERROR: Fatal Blast on a 747

Continued from Page 1

Haruki Ikegami, 24, Mr. Ikegami and the 10 injured passengers were all Japanese. The flight originated in Manila and made an intermediate stop on Cebu Island, site of several beach resorts. The passengers were mainly Japanese tourists, NHK reported.

Passengers and crew members told reporters in Naha that the blast happened at 10:45 A.M., three hours out of Tokyo's Narita Airport.

Japanese media reports said the explosion appeared to have occurred at Row 26 in the econ-

omy section of the plane. The victims were apparently sitting in or near that row when the explosion occurred.

After the explosion, the pilot, Eduardo Reyes, dropped to 10,000 feet from 30,000 and changed course for Naha.

But it took an hour to get there — an hour when passengers feared that another explosion might be imminent.

When the plane landed safely, the passengers burst into a round of applause for the pilot. Passengers praised the pilot and crew for handling the crisis calmly.



A member of the Chechen Women's Defense Brigade at a solidarity rally in Grozny.

RUSSIA: Chechnya Action

Continued from Page 1

planned and executed assault on Grozny on Nov. 26. When the smoke cleared, Mr. Dudaev's forces had taken more than 20 Russian troops prisoner.

After that, Mr. Yeltsin, who is under pressure from nationalists to stand up for Russian interests, ran out of patience and ordered a build-up of Russian forces on Chechnya's borders.

Although the Russian prisoners were freed last week, Mr. Yeltsin on Friday signed a decree ordering that "all available measures" be used to disarm the Chechen forces and restore "constitutional order" in the region.

On Saturday, the 63-year-old president underwent a minor operation on his nose that was expected to keep him away from the office for a week.

Prime Minister Viktor S. Chernomyrdin met Sunday with the leaders of Russia's two houses of Parliament. The meeting seemed an effort to stem rising opposition among moderate and liberal politicians to using force against the breakaway republic.

To underline that opposition, several hundred demonstrators gathered in freezing weather in downtown Moscow on Sunday to denounce Mr. Yeltsin's decision to use force against Chechnya.

"We received information that Grozny will be stormed to night," said former Prime Minister Yegor T. Gaidar, a leading liberal. "The attack will end in a sea of blood. Grozny should not be stormed. It is a Russian town on Russian soil."

Mr. Gaidar warned Saturday that hard-liners in the Russian government and security services had conceived the attack on Grozny as a way to derail Russian democratic reforms. He said the hard-liners were counting on the Chechens to respond to the invasion with a campaign of terror against Moscow.

Farmers' Protection May End

Reuters

BRUSSELS — One of the European Union's most expensive policies, which protects farmers' incomes from currency fluctuations, is likely to be abolished by farm ministers this week.

The so-called switchover mechanism, introduced in 1984 to cushion German farmers from a cut in prices after a revaluation of the mark, has sent farm prices nearly 21 percent above market levels and cost more than \$35 billion in the last 10 years.

"We should at least have a political decision," said the EU farm commissioner, Rene Steichen.

Reform of the EU's complex "green money" system to convert subsidies from European currency units into national currencies is one of a long list of items that EU farm ministers will start to tackle on Monday in a meeting expected to last several days.

"The switchover is dead and gone," said a Union diplomat, who added that member states disagreed over what should replace it, notably compensation measures for farmers.

A final decision can only be made after the European Parliament has given its opinion, expected early in 1995.

"We're not seeking to keep the switchover," said a German official. "But we want to avoid German farmers suffering a loss in income after a revaluation."

As the European Union's chief paymaster and current president of the council of ministers, Germany will play a key role in reaching a compromise agreement.

The farm commissioner warned against a German-led effort to resurrect a mini-switchover system, automatically converting a price cut for farmers whose currencies revalue into higher compensatory payments for all other farmers with weaker currencies.

"They're trying to bring it in again through the back door," added a Steichen aide, noting that only Britain has resisted the German move.

Each 1 percent revaluation of the mark would cost an estimated \$255 million in higher area aid and livestock premiums agreed under the 1992 reform of the Common Agricultural Policy compared with \$365 million under the old switchover.

"It's crazy to compensate farmers for price cuts they've never experienced," the aide said.

EUROPE: EU Moves Away From 'Ever-Closer Union'

Continued from Page 1

to form a blocking minority against small-state demands.

"Is this the Europe we want?" he asked.

The analysis struck a chord with Prime Minister John Major of Britain, who defended once again Britain's opt-out from the Union's single-currency plan, and Prime Minister Edouard Balladur of France, who cited the same voting worry in his recent proposal to al-

low different subgroups within the Union to cooperate on areas such as defense, economics and regional policy.

Chancellor Helmut Kohl of Germany, the stoutest backer of deeper integration, said leaders needed to make their Union "irreversible" but he avoided mention of his party's recent call for a hard core of committed states to force the pace.

To be sure, the idea of a Europe as little more than a free-

trade zone remains anathema outside Britain. Mr. Balladur said France would prepare proposals for a common foreign-policy apparatus during its EU presidency, which begins next month. And Mr. Kohl said after the meeting that in the European Union, "you can't have the slowest car dictating the pace for all."

But there was agreement among all the leaders to avoid an ideological debate over a federal Europe, which carries different meanings in each country, and instead take a "pragmatic" look at what is needed, according to President Francois Mitterrand of France.

The gathering made clear that the cost of absorbing the poor Eastern countries and the difficulty of finding consensus among a growing number of members would force big changes in the way the Union is run, officials said.

In its details, the summit meeting indicated that pragmatism involved a more limited vision.

In this Tuesday's

Style

Todd Oldham's Time

New Age design director for Escada.



INTERNATIONAL
Herald Tribune

No matter where you're traveling to,

THIS IS YOUR RETURN TICKET.



Ex-Health Aide

Has No Regrets

About Comments

Agence France-Press

WASHINGTON — Surgeon General Jocelyn Elders, who resigned last week under White House pressure, said she had no regrets about comments that led to her downfall.

In a telephone interview with NBC television broadcast Sunday, Dr. Elders said she did not know whether President Bill Clinton was goaded by conservative Republicans to press for her to leave, saying only, "He did what he had to do."

Dr. Elders had been outspoken on sexual education and drugs. This got her into hot water with conservatives in her own Democratic Party and with Republicans in Congress.

"I don't really have any regrets," she said. "I try to speak what I see as the truth."

The coup de grace was her comment on masturbation. Asked during an AIDS conference about bringing masturbation to sexual education in the schools as a means of controlling AIDS, Dr. Elders said she believed that such education should be considered.

CLINTON: With Pals Like This, Who Needs Enemies?

Continued from Page 1

With victorious Republicans in Congress pushing a conservative agenda, Mr. Clinton jettisoned an official whose outspokenness on incendiary issues was an increasing liability for the president, particularly in his current wounded condition and as the 1996 presidential election draws near.

But even as he divested his administration of one political difficulty, Mr. Clinton found himself confronted with another: the Hubbell guilty plea and its potential legal and political fallout. A former law partner of Hillary Rodham Clinton, Mr. Hubbell admitted bilking his law firm and clients of nearly \$400,000.

Mr. Hubbell's criminal conduct took place before Mr. Clinton's election, but the closeness of their relationship, and the fact that the president brought him into the highest councils of the Justice Department, poses a new political difficulty for the president at a moment when that is the last thing he needs.

Mr. Hubbell promised to cooperate with Mr. Starr, and some Republicans suggested

that Mr. Hubbell could hold the key to uncovering possible administration tampering with the Whitewater investigation.

Mr. Starr is also conducting a broader inquiry into the billing practices at Rose, and the firm is under scrutiny in five separate federal inquiries. But officials and Democratic strategists said last week that they believed the bigger peril for the president posed by Mr. Hubbell's guilty plea was political rather than legal because they believe Mr. Hubbell has nothing damaging to say about the president.

The accident of timing that brought the two events together in the same week served as a painful reminder of what has happened to the Clinton administration in the last two years.

It was two years ago, on Christmas Eve, that then President-elect Clinton pointed proudly to the very trait that ultimately led him to dismiss Dr. Elders — her outspokenness — as he announced her selection. In office, as Dr. Elders' early controversial statements demonstrated the accuracy of the president's assessment, Mr. Clinton had

the political capital to withstand conservative demands for her ouster.

"Her detractors were largely viewed as little more than gnats," Mr. Neel said, adding that now, "The detractors have now become lions and tigers."


Although they had weathered Dr. Elders' calls for legalization of drugs and blasts at the Roman Catholic Church for its "love affair with the fetus," officials insist that her comments on teaching masturbation went so far beyond the pale that she would have been dropped no matter what the political climate.

A Middle-Class Tax Cut?

With Republicans clamoring for tax cuts, Mr. Clinton said Sunday he thought the federal government could afford a tax break for middle-class Americans. Reuters reported from Miami.

Mr. Clinton, who promised a middle-class tax cut during the 1992 campaign, told reporters after the Summit of the Americas, "I want to fulfill the commitment of our campaign and my commitment to tax fairness," he said.

COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS	COUNTRIES	ACCESS NUMBERS
American Samoa	633-1000	Cyprus	005-200-121	Japan (KOC) (English)	0066-55-877	Peru	156	Turkey	00-800-1-4477
Antigua (dedicated phone)	20	Czech Republic	0042-282-187	Japan (KDD) (English)	0039-131	Philippines (ETIP) (English only)	103-01	U.S. Virgin Islands	1-800-877-0000
Antigua (pay phone)	1-800-366-4663	Denmark	1-800-751-7877	Japan (Japanese)	0066-55-888	Philippines (PHICOM) A	102-61	Uruguay	1-800-877-0000
Armenia	00-1-800-777-1111	Dominican Republic	1-800-751-7877	Kazakhstan	007-12	Philippines (PLDT)	105-16	Ukraine	8-100-15
Australia	61-14-55	Ecuador	171	Korea (Daejeon)	0082-12	Pakistan	0010-904-117	United Arab Emirates	800-131
Australia (Telstra)	0065-11-10	Egypt (Cairo)	356-4777	Korea (Seoul)	0082-12	Portugal	00351-210-118	United Kingdom (BT)	0800-89-0877
Australia (Telstra)	1-800-481-4777	Egypt (Suez)	002-55-4777	Kuwait	966-777	Romania	0040-1-477	United Kingdom (Manx)	0600-89-0877
Austria	0043-1-4777	Finland	00359-1-10	Laos	856-777	Romania (+M)	1-800-0877	Uruguay City	000-417
Austria	1-800-389-2111	France	9000-1-0284	Liechtenstein	423-727	Russia (Moscow)	155-6153	Vietnam City	172-1877
Bahamas	1-800-477-8000	Germany	0049-1-1356	Lithuania	371-12	Russia (all other)	8095-153-6133	Venezuela (English)	800-1111-1
Bahamas	0080-10014	Greece	0030-1-1356	Luxembourg	352-1-1356	Saudi Arabia	1-255-0333	Venezuela (Spanish)	800-1111-1
Belize	501-254	Hungary	0036-1-1356	Malaysia	603-121	Swaziland	1600-15		
Bermuda	1-800-477-8000	Iceland	00354-1-1356	Mexico	52-800-877-8000	Sweden	8000-177-177		
Bolivia	591-254	Ireland	00353-1-1356	Moldova	376-121	Switzerland	0041-1-1356		
Brazil	1-800-477-8000	Italy	0039-1-1356	Monaco	377-121	Taiwan	886-2-277-466		
British Virgin Is.	0084-1-1356	Japan	0081-1-1356	Norway	47-800-877-8000	Tanzania	255-222-111		
Bulgaria	00359-1-1356	Kenya	254-1-1356	Poland	48-800-877-8000	Tanzania (+M)	255-222-111		
Canada	1-800-477-8000	Korea	82-1-1356	Romania	40-800-877-8000	Tanzania (+M)	255-222-111		
Chile	56-1-1356	Korea (+M)	82-1-1356	Russia (Moscow)	7-800-877-8000	Tanzania (+M)	255-222-111		
China (English)	86-1-1356	Kuwait	966-777	Russia (all other)	7-800-877-8000	Tanzania (+M)	255-222-111		
China (Mandarin)	86-1-1356	Laos	856-777	Saudi Arabia	966-1-1356	Tanzania (+M)	255-222-111		
Colombia (English)	57-1-1356	Latvia	371-12	Swaziland	26-1-1356	Tanzania (+M)	255-222-111		
Colombia (Spanish)	57-1-1356	Liechtenstein	423-727	Switzerland	41-1-1356	Tanzania (+M)	255-222-111		
Congo (Kin)	242-1-1356	Lithuania	371-12	Taiwan	886-2-277-466	Tanzania (+M)	255-222-111		
Croatia	385-1-1356	Luxembourg	352-1-1356	Tanzania	255-222-111	Tanzania (+M)	255-222-111		
		Malaysia	603-121	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Mexico	52-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Moldova	376-121	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Monaco	377-121	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Norway	47-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Poland	48-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Romania	40-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Russia (Moscow)	7-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Russia (all other)	7-800-877-8000	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Saudi Arabia	966-1-1356	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Swaziland	26-1-1356	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Switzerland	41-1-1356	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Taiwan	886-2-277-466	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Tanzania	255-222-111	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
		Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111	Tanzania (+M)	255-222-111		
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Herald Tribune

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Rescue Mission in Bosnia

President Bill Clinton was right to resist earlier pressures to commit U.S. forces either to repel the Serbian aggressors or to serve as neutral peacekeepers. But he is now right to agree in principle to send substantial numbers of American troops should NATO be called upon to cover the withdrawal of United Nations forces. First, however, Mr. Clinton must get congressional approval; and Congress has an obligation to define strict time limits for any U.S. involvement and to insist on force levels that provide maximum protection to American and allied troops.

The United Nations has not yet decided to withdraw its soldiers, nor is any action about to be taken unilaterally. The Clinton administration hoped that its troop offer would encourage those countries that have been publicly contemplating withdrawal, chiefly France, to stick it out a little longer. The initial French reaction suggests that Washington has succeeded on that score.

But in truth, the United Nations presence has been a mixed blessing, hemmed in by its mandate of scrupulous neutrality. Recently the lightly armed UN forces have not even been able to protect themselves. In past weeks Serbian units have taken 300 of the blue helmets hostage, to use as pawns.

Under these circumstances, the United Nations and several countries with troops on the ground have asked NATO to draw up plans to provide military cover for their withdrawal. NATO, which acts only by consensus, could decline. But the majority of the 23,000 UN troops at risk come from France, Britain and seven other NATO countries.

For the United States to veto or stand aside from a NATO relief operation could inflict a mortal blow to the troubled alliance, still a key element of U.S. global security strategy. At the heart of NATO is a U.S. commitment to defend its European allies. Moreover, abandoning the surrounded troops would cripple the United Nations' ability to deploy troops in situations where America might otherwise have to be involved.

Bosnia's warring armies say they would not harass withdrawing UN troops. But the Bosnian Serbs' promise is unreliable. Serbian troops surround UN forces in many areas. The withdrawal could be a difficult operation. Before Mr. Clinton commits U.S. troops to such a risky mission, the U.S. Constitution and political sense oblige him to secure congressional support.

Republicans will reasonably insist that a withdrawal operation be under direct NATO command, unlike recent bombing operations that were under joint UN-NATO control. They would also do well to hold the administration to its word that any NATO intervention will employ overwhelming military force to deter potential problems from any Bosnian faction.

Since the United States is prepared to supply as many as 25,000 troops out of a NATO total of 50,000, Washington will have a chance to influence strategic planning. Bosnia's tragedy has brought no glory to anyone. But it need not end in the further disaster of United Nations military catastrophe and the breakdown of NATO, if President Clinton and Congress plan together.

—THE NEW YORK TIMES.

The Miami Summit

At the center of the summit of 34 Western Hemisphere leaders that President Bill Clinton opened in Miami on Friday lies the purpose of advancing the economic integration and convergence of the Americas. It is the right purpose, and the right time to reach for it. The Cold War is over, and a new shared focus of hemispheric striving is due. The United States does not inspire the old fears of imperial overreach; Latin and Caribbean nations have more confidence in their capacity to bargain with their biggest neighbor. Successful consummation of a North American free trade area and U.S. congressional approval of the new world trade agreement have set the stage for extending free trade soon to Chile and by 2005 to the rest of the hemisphere.

The hemisphere is already on the way to forming assorted subregional trading blocs. The Clinton administration propelled the summit to expedite movement to a single universal bloc. Plenty of relevant experience has shown that there are measurable advantages in jobs, exports and wealth for countries that take the new path. Not that the path is cost- or friction-free. In the United States and elsewhere, labor, environmental and human rights groups and their political representatives insist that their claims be

heard by spokesmen of expanding investment and trade. Throughout the hemisphere, however, the forces of trade are ascendant. They can best consolidate their advantage by showing respect for interests on the other side.

Trade got the attention at Miami. Behind the economic agenda, however, rests a serious political purpose. It goes beyond the (irregular) boost that economic modernization can give to political modernization. The proposed Free Trade Area of the Americas is open only to democracies. That rule lets in some arguable cases (Peru) but emphatically excludes Communist Cuba, which finds itself fenced out of a historic post-Cold War project of hemispheric integration.

But the rule could yet be applied to countries that, in their unsteadiness, revert to an openly undemocratic style. In this way are the more or less freely elected governments of the Americas building in a ratchet against backsliding. The European common market had a similar device, which was applied to supply democratic incentives to then-military-run Spain, Portugal and Greece. Now the Western Hemisphere has its own quiet but potentially invaluable economic lever to ensure the deepening of democracy.

—THE WASHINGTON POST.

Mischief Beyond the Pale

Surgeon General Joycelyn Elders was fired by President Bill Clinton on Friday more or less for doing what Mr. Clinton had advised she would when he brought her into his administration. The early word from Arkansas on Dr. Elders, after all, was that she was outspoken and a real shaker-up of establishments and a shaker of the meek and conventional, and wait until she took on the stuffed shirts of Washington. We recall all this merely by way of reminding you that the Clinton administration can hardly claim to have been astonished by the role she has intermittently played since she joined the administration.

We have expressed the opinion in the past that Dr. Elders was doing neither her causes nor her administration nor herself any good by what increasingly seemed to be careless provocation of various segments of the population and statements that simply could not be justified. She was gratuitously dismissive of educators and parents who questioned the distribution of condoms in the school. Her views on the legalization of drugs was the direct opposite of the administration's policy. Her remarks on religion — in particular directed at Catholics and what she called "the un-Christian religious right" — were intolerant. Her latest remark, agreeing with a questioner on the possible merit in the age of AIDS of teaching schoolchildren about masturbation, was, in the words of White House Chief of Staff Leon Panetta, "just one too many."

Dr. Elders came on the national scene

with a reputation for more than being controversial, confrontational and something of a crusader. As head of the Arkansas Health Department, she may have stepped on plenty of toes and made plenty of enemies. But she was also a doctor whose aim, she said, was to make "every child born in America a planned and wanted child." She confronted the important problem of teenage pregnancy, expressed determination to stop the spread of AIDS among young people, and seemed, at first, to be on the right track. But she just wouldn't stop popping off in headless fashion, almost as if she were looking for trouble.

We think the president was justified in asking her to leave. The surgeon general has to deal with extremely sensitive issues. What the president needs in that job is a doctor who is wise in handling these matters, inspires cooperation in this work and has the judgment to know when to speak out and when to play a supportive role. Dr. Elders evidently didn't see her mandate that way, but it is not clear that until last Friday the president she worked for did, either.

What remains unanswered and troubling in the way Joycelyn Elders's term as surgeon general has ended is why a president of the United States could not have made clearer earlier, at any of the many inflammatory opportunities she gave him along the way, what it was that he wanted in that office, what he didn't want, and what the limits be would accept were.

—THE WASHINGTON POST.

U.S. Cover in Bosnia Will Have to Be War

By Jim Hoagland

WASHINGTON — The United States has little choice. It must say "yes" if its NATO allies ask American troops to cover their withdrawal from Bosnia. But the Clinton administration has great choice over how those troops will go in and how they will come out.

The president and his advisers must be clear with themselves, Congress, the American public and the warring parties on the

The strategic bombing campaign that hawks have long wanted becomes a real threat in these circumstances.

rules of engagement, before any U.S. troops are committed.

That means no more pretense and wishful thinking on Bosnia. The "peace strategy" that Secretary of State Warren Christopher says America pursues must be explicitly abandoned as allied withdrawal begins. Sending U.S. soldiers into the Balkans for this limited purpose must be treated as an act of war — with the Serbs as the identified enemy.

U.S. troops helping with a withdrawal must not go in as peacekeeping troops bound by the restrictions that apply to the United Nations force in Bosnia. They must not be used by the State Department as agents of diplomacy in the now vain hope of shaping a negotiated settlement. GIs will be in Bosnia to accomplish a limited mission and

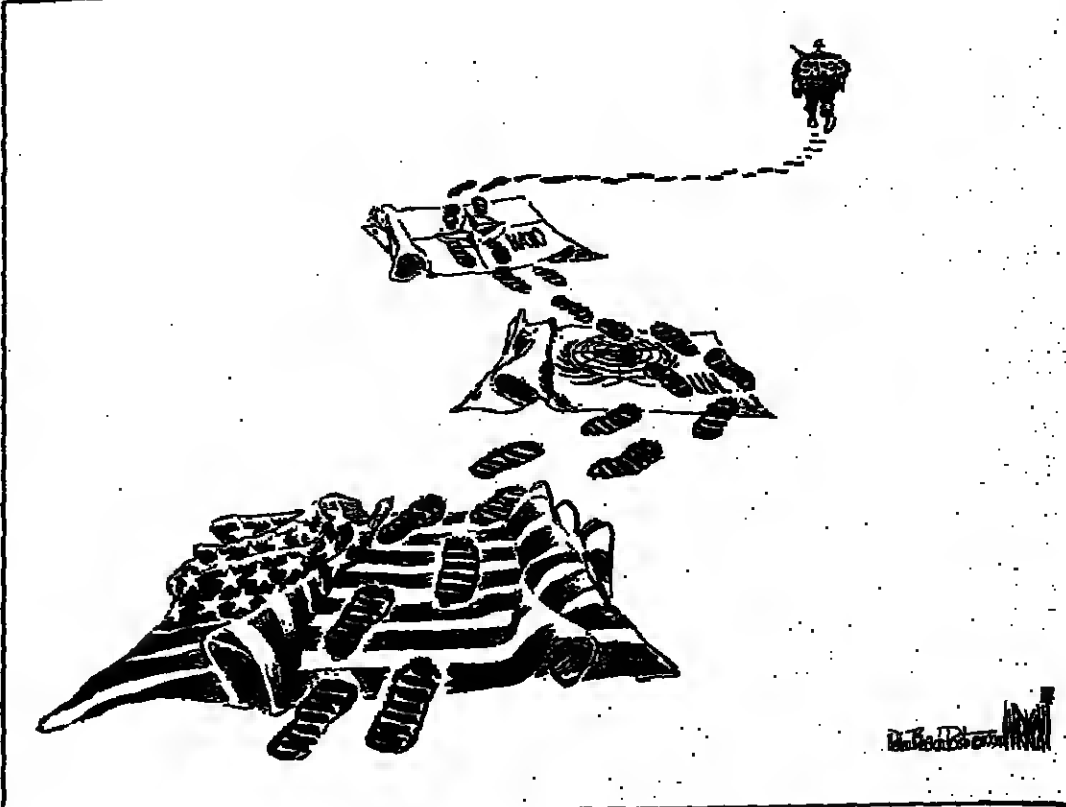
to kill anyone who opposes them in that effort.

President Bill Clinton bowed to the inevitable in announcing last Thursday that he had decided to send up to 25,000 U.S. troops to assist in the pullout of French, British and other NATO-country forces from the UN command in Bosnia if their withdrawal is ordered by their governments. To keep American troops out of the Bosnian retreat would have ended NATO and American military leadership globally.

Retreat is the most difficult strategic military maneuver to perform in the best of circumstances. It could be a hellish task for the fragmented United Nations force of 23,000 peacekeepers from 15 nations. American muscle must be deployed and unmistakably flexed to keep the Serbs — and the Muslims who benefit most from the UN presence — in line during a withdrawal.

The UN force has been a useful idiot for the Serbs, helping the British and French fend off American hawks who back strategic bombing campaigns and a lifting of the UN arms embargo. The Serbs will not want to see that protective screen dismantled. The interest of the Bosnian Muslim population in obstructing a UN withdrawal is even clearer. For all its weaknesses, the UN force has been feeding and protecting the populations of Sarajevo and other Muslim-controlled towns. The withdrawal will mean death for a large number of Muslims.

America must use a withdrawal strategy that will minimize the Muslim deaths and military losses that a UN pullout would



bring. That goal is morally and strategically in American national interests and justifies a war-fighting posture by the American troops who would be used there. Britain and France may not like this approach. But they would have to agree to these steps if they are the price for American protection for their troops.

To expedite the withdrawal and provide the Muslims with more protection, the departing European troops should leave their tanks and other equipment in Bosnian-held territory. This is the carrot for the Muslims to let the United Nations leave peacefully. If the pullout is obstructed by them, the international force will fight its way out with, and take or destroy, that equipment.

The U.S. strategic bombing campaign that hawks have long wanted becomes a real threat in

these circumstances. Belgrade and its Bosnian Serb allies have to be put on explicit notice that interference with an American-assisted withdrawal will trigger the obliteration of all Serbian military assets by the U.S. Air Force, with infrastructure targets held in reserve if the Serbs continue attacks on the retreating international force.

To be more succinct: If flattening Belgrade is what it takes to get Serbian acquiescence to a withdrawal that increases the Muslim war-fighting ability, flattening Belgrade would be justified in this context. Slobodan Milosevic needs to be told that, credibly.

The endgame of UN involvement in Bosnia also imposes a reality check on the administration's critics, led by Republican Senators Bob Dole and John McCain. Lifting the arms embar-

go, as they have advocated for months, does not end U.S. moral responsibility to Bosnia but engages that responsibility more deeply. The embargo hawks may shortly face the consequences of answered prayers.

It is possible to construct an American-led withdrawal strategy that holds NATO together, minimizes the Muslim suffering that would result from this action and causes all Serbs to think more seriously about the costs of continuing this war.

President Clinton should seek the help of Mr. Dole, Mr. McCain and other Republicans in designing and explaining such a strategy. And they should give that help. American policy on Bosnia has reached "the water's edge," where bipartisan agreement must be achieved and observed.

The Washington Post.

To Combat Hate Broadcasts, Let's Try Propaganda for Peace

By Keith Spicer

OTTAWA — Hate campaigns on Serbian and Croatian television helped brew Bosnia's horrors. Hutu on their Radio Mille Collines ordered half a million murders and a death march of 2 million Rwandans.

The United Nations staggers under an unpaid peacekeeping bill of nearly a billion dollars. Yet the instruments that keep running up the bill — military intervention, humanitarian aid, economic embargoes, diplomacy — all fail to end root conflicts.

Could the United Nations head off or stop ethnic wars by mobilizing airwaves that are too often used to set them off? Used against (and by) dictators and demagogues, broadcasts are subversive.

That is why Serbian aggressors put such a high priority on destroying or capturing Bosnian radio and television stations. And that is why the Hutu set up a mobile radio transmitter 24 hours after the United Nations stopped Radio Mille Collines. Unlike print media, both radio and television reach all social and cultural groups — especially the illiterate or poorly educated, whom dictators so easily manipulate.

Broadcasts can convey anti-racist facts and perspectives in the same powerful way that hate is peddled. They are fairly

inexpensive; they require only a modest amount of equipment and supplies, and only a few staff members. They are hard to silence. And they risk no lives, or very few.

How could the United Nations, and perhaps NATO and other regional security organizations, make electronic peacekeeping work?

Broadcasting can help stifle ethnic conflict before and during armed combat. Networks of "early warning" volunteers could advise the United Nations' 24-hour situation center of hate campaigns that preach violence. Such networks are already run informally by independent media groups.

The Security Council could order a new, well-equipped media section in its Department of Peacekeeping Operations to broadcast corrective news and views to places inundated with aggressive propaganda. At the heart of such an effort — call it propaganda for peace — should be a handful of experts in the use of the media for war and peace. They should be trained in politics, mass psychology and traditional and unconventional warfare.

If war broke out despite their efforts, the department would have standing au-

thority to ship transmitters and media experts to the region to fight back with facts and balanced comment.

In some situations, saving lives might temporarily demand jamming or incapacitating mass killers' transmitters. But the emphasis should always be on freedom: on countering evil voices, not silencing them.

At both stages, volunteers from the West's private media aid organizations — for example, Article 19 in Britain and Reporters Sans Frontières in France — could be enlisted to bring their beliefs, resources and specialties to help the United Nations.

Why hasn't the United Nations taken up information diplomacy as an obvious and routine peacekeeping instrument?

First, because some governments may still not believe that transmitters can save as many lives as soldiers or relief supplies. They ask: Isn't broadcasting some kind of public relations flim — like the UN Department of Public Information? The analogy is wrong. Public relations has nothing to do with peacekeeping.

Second, cynics argue that a few chummy broadcasts won't sway people with blood in their eyes. If so, why the dictators' frenzy to prevent any syllable of peaceful talk?

Third, some governments fear that invasion of so-called sovereign airwaves might one day be turned against them. That is why the West backed Serbia against free Bosnian journalists who tried to use unauthorized frequencies to broadcast factual peace propaganda on the "pirate" radio ship *Droit de Parole*. But shouldn't the frequency of death in wartime override such niceties?

Fourth, the United Nations' Legal Directorate, conservative as are all legal departments, sees no mandate for such untraditional roles. The Security Council should instruct UN lawyers to devise new theories, as they always can, to fit the needs of their political masters.

A few journalists may be skittish about anything that seems to involve the news media in public purposes. But we are not talking about corrupting the media. We are talking about using technology, a few volunteers and some vision — all at a pittance — to stop ethnic bloodbaths.

We are talking about using our heads to stop wars that always start, and end, in somebody's head.

The writer is chairman of the Canada's official Radio-Television and Telecommunications Commission. He contributed this column to The New York Times.

In Japan, a Swing Toward Fellow Asians and Away From the West

By Paul Blustein

TOKYO — A new phrase is cropping up in Japan these days: "Datsu-Oh, Nyuu-Ah," meaning "Leave the West. Turn to Asia." The phrase comes up with unsettling frequency on television talk shows and in magazine articles and speeches. It reflects a growing belief among Japanese that their nation, a faithful disciple of the United States for the past five decades, should all more toward its Asian neighbors.

The words reverse a slogan popularized during Japan's mid-19th-century modernization — "Datsu-Oh, Nyuu-Ah," or "Leave Asia. Turn to the West."

Manifestations of the trend are everywhere. From the rising popularity of Korean-language songs to the new wave of investment by Japanese companies in fast-growing China and Southeast Asia. "Japan Swings," declared a recent cover of *Nikkei Business* magazine, which showed a pendulum swaying away from the Stars and Stripes toward a Chinese flag symbolizing Asia.

Most striking of all is the surge of attention the Japanese are according to Malaysian Prime Minister Mahathir bin Mohamad, a nationalist who ridicules Western decadence and exhorts fellow Asians to confront the United States and Europe on issues such as human rights and trade.

Mr. Mahathir's face recently adorned the cover of the highbrow Tokyo weekly *Aera*, and Japanese have snapped up copies of "The Asia That Can Say No," a book published in October that Mr. Mahathir co-authored with Shintaro Ishihara, the right-wing legislator famous for his 1989 book "The Japan That Can Say No."

The new book argues that Japan should return to its Asian roots and join the East Asian Economic Caucus, an Asians-only club of countries proposed by Mr. Mahathir several years ago.

Americans have heard little about Mr. Mahathir, and it is high time they started paying attention. The Malaysian prime

minister, who loves jousting in public with Western leaders, represents a strain of resentment throughout the region against what many view as Washington's high-handed criticism of Asian economic and political practices, a resentment that has intensified as America's social and economic problems grow more evident.

So far, Mr. Mahathir's EAEC hasn't gone anywhere for lack of support from Tokyo. But last week the Keidanren, Japan's most influential big-business organization, disclosed that it is strongly considering an endorsement of Japanese participation. Japan's growing economic presence in Asia need not threaten U.S. interests. Tokyo's Asian economic links may actually benefit U.S. industry by spurring new markets for U.S. goods.

Nor is it bad for America that Japan is trying to play a bigger role in Asian political matters such as the Cambodian conflict. Indeed, Washington is actively encouraging Tokyo to help resolve such problems, and Japan's view usually turns out to resemble the U.S. position on regional issues.

But if Japan were to join a group like the EAEC, that would mark a serious escalation of its shift toward Asia.

Defenders insist that the group would be a mere forum for discussion, not a trade bloc. But it would substantially raise the risk of polarizing public opinion on both sides of the Pacific by creating the impression that Asian nations are colluding along racial lines and ganging up on America.

Several factors lie behind Japan's new emphasis on Asia. Economic and social problems in the United States, plus the end of the Cold War, have raised questions in Japanese minds about U.S. willingness to continue its Asia-Pacific military presence, which allows Japan to remain pacifist and thus keeps the region stable. The rise of U.S. protectionism,

although episodic, has likewise stirred fears among the ever-sensitive Japanese that the United States is becoming a less reliable trading partner.

At the same time, nearby Asia has become an attractive place for Japan to hedge its bets — and Japanese companies are doing so without any need for prompting from their government.

Japanese investment in plant and equipment continues to increase in Asia while falling in the United States and elsewhere.

The government maintains that Japan can promote its Asian ties without damaging its links to the United States. "The zero-sum arguments urging Japan to determine which is more important to its interests, the United States or Asia, have no meaning," said Foreign Minister Yohji Kono in a recent speech.

Japan plainly has no interest in building a trade fortress in the Asian market, which for all its spectacular growth remains relatively modest in size. Nor is Japan doing so, despite all the idle talk of a self-sufficient "yen bloc" in the making. While Japan's investment in Asia may be rising, the United States remains by far the largest destination for Japanese spending on plant and equipment last year, with two-fifths of the total, compared with less than one-fifth for Asia.

Japan's export machine, meanwhile, remains heavily dependent on the United States. The share of Japan's exports going to the United States is still well above the 1980 level, when it stood at 24 percent. Most other East Asian countries likewise remain highly dependent on the U.S. market.

Asians love to boast about how they trade with each other more than ever, but much of this commerce consists of goods like fiber and chemicals being shipped from one Asian country to another for ultimate manufacturing into, say, a sweater sold at Macy's.

Although Japan indisputably overtook America as Asia's leading economic power during the late 1980s, when Japanese foreign aid and private investment poured into the region, Taiwan and South Korean investments provide an important counterweight to the Japanese presence.

According to the U.S. International Trade Commission, American exports to East Asia doubled, after several years of stagnation, during the same 1986-1991 period when Japanese companies were investing so heavily in Asia. That suggests that the Japanese money indirectly helped stoke demand for U.S. products in the region.

Still, all this plus-sum arithmetic might add up to something quite different if a Mahathir-style pan-Asian group were regularly thumbing its nose at the West.

Mr. Mahathir sugarcane his EAEC (which would combine Japan, China, South Korea, Taiwan and Southeast Asia) as a "loose,

consultative" group that would observe all global trade rules. But the formation of such a group would surely boost the decibel level in trans-Pacific debates, and risk arousing protectionist and isolationist sentiment in America.

Because of Washington's objections to the EAEC, Tokyo has politely rejected Mr. Mahathir's entreaties by pretending that it doesn't understand what his group would do. But support for the idea is clearly growing in the Japanese establishment.

In the end, Japan's leadership will probably conclude that joining the EAEC makes little sense. Tokyo, after all, does not have to choose between Asia and America; APEC allows it to choose deeper ties with both. But the wellspring of support for Mr. Mahathir is a sobering sign.

The writer is Asian economics correspondent for The Washington Post, in which this appeared.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Autocratic Czar

PARIS — [The Herald says in an editorial:] Nicholas II is beginning to manifest his intentions on the subject of the internal policy of his Empire. He will remain an autocrat like his predecessors, and does not seem the least in the world inclined to introduce into Russia even a mitigated constitutional organism.

1919: Gallic Borrowings

PARIS — Strange differences of usage in the language which is termed "United States" or "King's English" have been noted by the French since the war has brought so many Americans and British subjects into France. The difficulties which result from the variations are frequently increased by the sense which the French themselves have imposed on words they have adopted from

foreign languages. The predilection for words ending in "ing," a syllable which is a shibboleth for a Gallic tongue, is a dancing of the day in France; "Uo dancing," a dancing-bell; "le footing," walking exercise; "un smoking," a Tuxedo; "un skating," a rink.

1944: German 'Snorts'

LONDON — [From our New York edition:] German submarines equipped with periscopes like airships that allow them to "breathe" have been reported. Called "schnorkel spirals" by the Germans, they are being termed "snorts" by the British. The air shaft is said to be divided into two sections, one for air intake, the other for exhaust gases. They permit recharging of batteries beneath the water, and the Germans assert they enable a submarine to remain under water from twenty to thirty days.

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CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Dec. 8. Prices supplied by Telekurs.

Australian Dollar

199 NSW Tsy 10% 12/07/04 98,870 10,620

Austrian Schilling

220 Austria 7% 10/18/04 100,000 7,630

Belgian Franc

221 Belgium 7% 10/15/04 98,000 8,070

222 Belgium 7% 04/29/99 97,450 7,180

240 Belgium 6% 05/25/97 99,000 6,820

British Pound

168 Eib 8% 12/07/00 99,820 8,780

212 Northwest FRN 8% 12/31/99 92,000 7,470

219 1st Perm FRN 6.4% 12/03/97 92,820 6,420

243 All & Lnd FRN 4.5% 12/31/99 90,200 7,620

Canadian Dollar

192 Bell Canada 5% 12/01/99 99,620 9,410

Danish Krone

17 Denmark 7% 12/15/04 89,600 7,660

20 Denmark 9% 05/15/02 102,150 8,100

45 Denmark 5% 11/15/00 102,200 8,800

49 Denmark 5% 08/16/95 101,400 8,120

53 Denmark 5% 02/15/95 100,300 9,700

59 Denmark 9% 11/15/94 102,300 8,820

103 Denmark 5% 08/16/95 101,400 8,120

144 Denmark 6% 03/15/04 97,030 8,240

164 Denmark 6% 04/02/95 97,030 8,240

181 Denmark 6% 02/10/97 97,280 8,420

188 Denmark 6% 02/10/96 96,600 6,690

Deutsche Mark

1 Germany 6% 07/15/04 95,400 7,880

2 Treuhnd 6% 07/15/04 95,400 7,880

3 Germany 7% 11/11/04 100,440 7,990

4 Germany 8% 02/12/02 102,874 7,990

5 Treuhnd 6% 05/15/02 98,200 7,600

6 Treuhnd 6% 05/13/04 95,347 7,090

7 Germany 8% 12/20/95 102,800 8,210

8 Treuhnd 7% 11/25/99 99,440 7,620

9 Treuhnd 7% 07/25/99 96,720 6,480

10 Treuhnd 5% 04/29/99 95,000 6,030

12 Treuhnd 6% 03/04/04 92,200 6,780

13 Germany 6% 09/20/01 104,215 7,920

14 Germany 8% 03/20/96 102,730 8,270

15 Germany 6% 11/15/92 90,857 6,410

18 Treuhnd 6% 11/12/02 90,300 6,440

20 Germany 9% 10/20/00 107,900 8,350

21 Germany 6% 01/04/04 82,134 7,610

24 Bundespost 7% 10/01/04 100,720 7,720

25 Germany 6% 12/02/98 99,357 6,720

27 Germany 7% 12/02/98 99,357 6,720

28 Germany 6% 08/20/98 96,320 6,720

31 Germany 6% 09/20/98 96,320 6,720

33 Germany 6% 07/15/03 93,820 6,930

34 Germany 7% 08/20/97 101,200 7,720

36 Germany 6% 02/20/96 95,340 6,720

37 Germany 6% 07/25/96 102,810 8,210

38 Germany 6% 07/25/96 102,810 8,210

39 Treuhnd 6% 08/11/03 96,130 7,120

40 Treuhnd 6% 07/09/03 94,817 7,010

42 Germany 8% 07/22/02 102,730 7,720

44 Germany 8% 12/20/96 107,475 8,260

45 Germany 6% 02/15/96 102,856 8,260

47 Germany 6% 07/21/97 103,440 7,980

48 Germany 6% 05/20/99 96,340 6,720

51 Treuhnd 6% 02/22/03 93,925 6,720

54 Treuhnd 7% 10/01/02 101,300 7,550

55 Treuhnd 7% 07/22/03 97,767 7,220

57 Germany 6% 05/14/96 97,900 6,510

58 Germany 6% 04/22/03 95,540 7,070

60 Germany 8% 08/20/01 104,700 8,260

62 Germany 8% 02/20/01 105,360 8,700

63 Germany 8% 07/20/95 101,900 8,710

64 Germany 8% 03/20/97 102,760 7,980

65 Germany 6% 01/22/01 97,407 6,840

66 Germany 8% 02/20/96 103,247 8,260

67 Germany 7% 12/22/97 100,440 7,990

68 Germany 9% 10/20/95 102,480 8,700

70 Treuhnd 5% 12/17/96 93,360 6,560

72 Germany 5% 10/20/98 104,350 8,210

73 Germany 7% 12/02/02 99,340 7,620

74 Treuhnd 7% 12/02/02 99,340 7,620

Rnk	Name	Cm	Maturity	Price	Yield
75	Germany	8%	01/22/96	102,975	8,620
77	Germany	6%	05/20/96	98,200	6,490
79	Germany	6%	02/22/99	94,830	5,720
80	Germany	6%	01/22/97	102,730	7,260
82	Germany	7%	09/24/96	95,600	5,820
84	Germany	6%	01/22/97	97,430	7,260
85	Germany	6%	05/20/96	91,530	7,760
86	Germany	6%	08/21/00	105,631	8,650
87	Germany	4.8%	09/30/04	98,800	4,900
89	Germany	6%	05/21/01	104,800	7,900
90	Germany	6%	05/21/01	104,800	7,900
91	Germany	6%	05/21/01	104,800	7,900
92	Germany	6%	05/21/01	104,800	7,900
93	Germany	6%	05/21/01	104,800	7,900
94	Germany	6%	05/21/01	104,800	7,900
95	Germany	6%	05/21/01	104,800	7,900
96	Germany	6%	05/21/01	104,800	7,900
97	Germany	6%	05/21/01	104,800	7,900
98	Germany	6%	05/21/01	104,800	7,900
99	Germany	6%	05/21/01	104,800	7,900
100	Germany	6%	05/21/01	104,800	7,900
101	Germany	6%	05/21/01	104,800	7,900
102	Germany	6%	05/21/01	104,800	7,900
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104	Germany	6%	05/21/01	104,800	7,900
105	Germany	6%	05/21/01	104,800	7,900
106	Germany	6%	05/21/01	104,800	7,900
107	Germany	6%	05/21/01	104,800	7,900
108	Germany	6%	05/21/01	104,800	7,900
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110	Germany	6%	05/21/01	104,800	7,900
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137	Germany	6%	05/21/01	104,800	7,900
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166	Germany	6%	05/21/01	104,800	7,900
167	Germany	6%	05/21/01	104,800	7,900
168	Germany	6%	05/21/01	104,800	7,900
169	Germany	6%	05/21/01	104,800	7,900
170	Germany	6%	05/21/01	104,800	7,900
171	Germany	6%	05/21/01	104,800	7,900

Dutch Guilder					U.S. Dollar						
30	Netherlands	7%	10/01/04	98.1500	7,2900	11	Argentina FRN	6%	03/20/05	71.6664	9,5700
32	Netherlands	5%	01/15/04	98.8200	7,2900	16	Brazil 9800 FRN	6%	01/26/05	10.2666	9,5700
33	Netherlands	7%	01/15/04	98.8200	7,2900	22	Argentina par U.S.	4%	03/01/23	40.0163	9,5700
61	Netherlands	7%	02/15/03	97.2500	7,2500	23	Argentina par U.S.	4%	03/01/23	40.0163	9,5700
71	Netherlands	7%	01/15/23	95.9500	7,2500	26	Brazil FLIRB L	4%	04/15/14	50.9873	7,2500
72	Netherlands	7%	01/15/23	95.9500	7,2500	26	Brazil FLIRB L	4%	04/15/14	50.9873	7,2500
116	Netherlands	9%	05/15/00	97.4000	8,5000	27	Brazil FLIRB L	4%	04/15/14	50.9873	7,2500
120	Netherlands	9%	05/15/00	97.2500	8,5000	27	Brazil FLIRB L	4%	04/15/14	50.9873	7,2500
132	Netherlands	6%	04/15/96	106.4500	6,7000	47	Brazil ZL FRN	6%	04/15/24	64.8976	10,3700
132	Netherlands	6%	02/15/99	96.4000	6,8500	98	Argentina FRN	7%	03/01/23	62.9992	9,5700
133	Netherlands	6%	02/15/99	96.4000	6,8500	98	Argentina FRN	7%	03/01/23	62.9992	9,5700
133	Netherlands	6%	02/15/99	96.4000	6,8500	98	Argentina FRN	7%	03/01/23	62.9992	9,5700
131	Netherlands	6%	04/15/03	94.1500	6,9500	95	Mexico par A	4%	12/31/19	53.9993	9,5000
146	Netherlands	7%	06/15/99	101.1500	7,4100	98	Argentina par U.S.	4%	04/15/24	42.0495	9,5100
147	Netherlands	7%	06/15/99	101.1500	7,4100	98	Argentina par U.S.	4%	04/15/24	42.0495	9,5100
147	Netherlands	7%	11/15/99	101.3000	7,4000	103	Ontario Indv	7%	02/01/27	72.9807	9,5700
189	Netherlands	6%	04/15/95	100.6000	6,8000	107	Brazil ZL FRN	6%	04/15/24	59.4838	11,5000
191	Netherlands	7%	05/15/99	99.3500	7,0500	108	Finland	7%	07/28/04	96.9000	8,1600
191	Netherlands	7%	05/15/99	99.3500	7,0500	109	Finland	7%	07/28/04	96.9000	8,1600
222	Netherlands	6%	05/01/95	100.2100	6,7000	117	Brazil par U.S.	4%	04/15/24	42.1064	9,5000
222	Netherlands	6%	05/01/95	100.2100	6,7000	117	Brazil par U.S.	4%	04/15/24	42.1064	9,5000
222	Netherlands	6%	07/15/01	107.1500	6,1700	124	Poland FRN	6%	10/27/24	75.6393	9,0100
222	Netherlands	6%	07/15/01	107.1500	6,1700	124	Poland FRN	6%	10/27/24	75.6393	9,0100
224	Netherlands	9%	01/15/01	107.9000	8,5400	136	Toronto Water	7%	09/24/27	98.0000	7,2700
224	Netherlands	9%	01/15/01	107.9000	8,5400	136	Toronto Water	7%	09/24/27	98.0000	7,2700
ECU											
19	UK T-Bote	5%	01/21/97	95.7539	5,5900	145	Nigeria nmt	5%	11/15/20	40.0000	12,5200
32	France BtAN	5%	02/27/96	99.3400	5,4500	147	Canada	6%	07/07/97	96.6250	7,4300
61	France OAT	6%	04/25/94	85.0000	7,8600	148	Canada	6%	10/27/14	97.8757	6,7900
61	France OAT	6%	10/12/94	107.3759	9,1300	151	Shand Card Card	7%	12/07/97	91.6250	7,4300
71	France BTAN	7%	03/16/98	91.7000	7,2900	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
94	Italy	6%	02/21/99	92.9000	6,8100	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
94	Italy	6%	02/21/99	92.9000	6,8100	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
94	Italy	6%	02/21/99	92.9000	6,8100	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
98	France OAT	6%	04/25/02	96.1700	7,2900	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
98	France OAT	6%	04/25/02	96.1700	7,2900	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
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98	France OAT	6%	04/25/02	96.1700	7,2900	153	Shand Card Card	7%	12/07/97	91.6250	7,4300
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WALL STREET WATCH

Flagship Fund Finds Itself Sailing in Riskier Waters

By Floyd Norris
New York Times Service

NEW YORK — There is an old Wall Street tale of a customer who buys a thinly traded stock, sees it rise and buys some more. The more he buys, the higher the price goes, until finally he decides it is time to take some profits.

"Sell," he tells his broker. "To whom?"
"Perhaps it is time to fear that a similar fate is awaiting the largest investor of them all, the \$36 billion Fidelity Magellan Fund," Jeffrey Vinik, 35, portfolio manager, has been placing big bets by buying 10 percent and more of the outstanding shares of quite a few companies. So far, that hasn't hurt; it probably has helped as the stocks he buys go up and up.

But what, you might wonder, will happen when he wants to sell? Mr. Vinik says he is careful. "When I buy a stock, I buy it slowly over time," he said. "When I sell it, I sell it slowly."

Magellan's buying of Oracle Systems Corp., a software company, is representative of how I do it," Mr. Vinik said. Over a six-month period ending in September, he bought 12.6 million shares, or about 100,000 shares for every day the market was open, and the stock rose 33 percent. Fidelity now owns 10 percent of Oracle.

Any large fund has to take some big positions, of course, but Magellan under Mr. Vinik has made a specialty of it. Magellan had less than 4 percent of its assets in such concentrated positions when Mr. Vinik took over in the summer of 1992. Now the figure is 45 percent.

That means that when Mr. Vinik decides to sell a stock, he will often be selling into a market in which he is an important player — and in which, even a rumor that he has turned negative could depress the price.

"It doesn't bother me at all," he says of the concentration. Nor is he worried that the boom in personal computers, on which Magellan has bet big, might slow down.

Mr. Vinik's strategy this year appears to have been to sell his losers while holding onto and adding to his winners. That is one reason the fund will pay no capital gains distribution this month, a disclosure that embarrassed Fidelity because it had previously estimated the fund had \$2.4 billion of such gains.

Magellan had a great 1993, but is down 6.8 percent so far this year, including a 3.1 percent fall last week.

If Mr. Vinik is right about the stocks he is concentrated in, the fund could recover. But if he is not, he may find that selling the losers makes the losses even greater. Because of the concentration, owning Magellan is a lot riskier than it used to be.

Magellan has moved to concentrate holdings.

Asians Reach Again for High-Tech's Cutting Edge

Goldstar Tries to Muscle Into LCD Market

By Steven Brill
International Herald Tribune

ANYANG, South Korea — Technicians at Goldstar's research facility here on the outskirts of Seoul ought to be stressed out. Swathed in the light-blue bunny suits that attempt to soften the sterility of the cleanroom, they are rushing to work out the kinks in the manufacturing of color liquid crystal displays that are fast becoming ubiquitous in high-end notebook computers.

The clock is ticking. Their bosses have already ordered hundreds of millions of dollars of production equipment and are determined to grab 7 percent of the world market in a few years.

Yet, as the technicians step out of the cleanroom and shed their masks, there is banter. Despite being a step behind their domestic rival Samsung Electronics Co., and two steps behind the Japanese, there is overwhelming confidence that South Korea will manage to muscle its way into the Japan-dominated market for active-matrix LCDs, just as it has for semiconductors, consumer electronics, ships and automobiles.

"In terms of technology, there's no doubt that we'll catch up with Japan," said Cho Kwang-ho, the senior managing director of Goldstar Co. Ltd.'s LCD division. "The Japanese are afraid."

In a manufacturing process so expensive and exacting that the U.S. Defense Department plans to spend about \$580 million by 1999 to strengthen American manufacturing of LCDs, the South Koreans enjoy two strategic strengths: A decade's worth of experience in making memory chips, a close technological cousin of the LCD; and piles of cash, which the companies, both among South Korea's biggest *chaebol*, or conglomerates, can call from highly protected domestic business interests ranging from insurance to hotels.

The combination, analysts say, gives the South Koreans a strong chance of elbowing their way into LCDs just as they did memory chips, even though the Japanese, having seen their profits and market share in semiconductors slide as a consequence, have refused to transfer any LCD technology. Using aggressive pricing, the South Koreans, who entered the memory chip market a decade ago, now enjoy a market share greater than 25 percent. Samsung has become the world's biggest memory chip supplier.

"As a new entrant we'll have to absorb some portion of the penetration price, but we won't be

See LCD, Page 13

A Chipmaker's Gamble Pays Off in Taiwan

By Kevin Murphy
International Herald Tribune

TAIPEI — Like the rest of Taiwan's computer industry, Morris Chang can't sit still. Several years of explosive growth should only be a prelude to more of the same.

In computer keyboards and mice, motherboards and monitors, Taiwanese manufacturers have grabbed major shares of world markets in their respective fields, cumulatively expanding from about \$2.3 billion in sales in 1986 to \$10.8 billion last year.

And that's what Mr. Chang, a Shanghai-born, American-educated engineer who rose to the top ranks of the U.S. computer industry before moving to Taiwan, envisions for the nation's integrated circuit makers, the business where the real money — and real risk — is these days.

Mr. Chang, who headed Texas Instruments Inc.'s semiconductor business before becoming General Instrument Corp.'s chief executive officer, now finds himself a leader of Taiwan's assault on the world's computer chip markets.

As chairman of Taiwan Semiconductor Manufacturing Corporation, Wyse Technology Inc., a maker of personal computers, and Vanguard International Semiconductor Corp., Mr. Chang,

63, embodies the brain gain and restlessness that has put Taiwan in contention in so many markets so quickly.

Disenchanted with the mergers and acquisitions frenzy in the U.S. industry in the 1980s and eager to work in Chinese society after 36 years in the United States, Mr. Chang agreed in 1985 to head Taiwan's Industrial Technology Research Institute, a government-funded laboratory.

The Taiwanese government has extended substantial assistance in the form of tax holidays, R&D grants and cheap loans to the information industry in a bid to create the high-tech exports needed to replace the low-skill manufacturing work being lost to other Asian countries.

"Taiwan has to choose what kind of industries it wants to specialize in. Right now it is a big personal computer maker and a big monitor maker, both of which are under pressure because their value-added is lower," said Mr. Chang.

"The industry should probably go upstream, building the key components. It's making good progress in integrated circuits and there are opportunities in display components, flat panels and CRTs. They'll be around for a long time,"

See CHIP, Page 13

Orange County Is Not Alone

Los Angeles Times Service

LOS ANGELES — Walworth County, a southeastern Wisconsin region of dairy farms, lakes and subdivisions, has as much to do with upscale Orange County, California, as cheddar cheese has to do with Ferraris.

But the two share one thing. They both have seen the value of their investment funds drop dramatically as a result of risky bets on mortgage-backed derivative securities.

And like Orange County, whose bond ratings have plunged as a result of its financial straits and resultant bankruptcy filing, Walworth County's own double-A bond rating

was placed under review for possible downgrading on Friday by Moody's Investors Service.

The pattern disturbs bond analysts, who see a growing number of municipalities reaping the whirlwind after sowing the seeds of risk by borrowing too heavily, investing in dicey securities, or both.

Reports of investment losses have appeared around the country since Orange County's debacle became known, affecting communities in Texas, Florida, Kentucky, Maine, Maryland, Illinois, Wyoming, West Virginia and elsewhere.

Government agencies also appear to be edgy about their money. Municipalities pulled

5 Arrested In Chinese Fraud Case

Agence France-Press

BEIJING — The police in the northeastern city of Dalian have arrested five people for embezzling about 360 million yuan (\$42 million), a report said Sunday.

Suo Hongxiang, 57, was among those arrested last Monday for allegedly raising the money from local investors by offering interest rates well above levels for bank deposits, the China Business Times reported.

About 170 million yuan earned "by the sweat and blood of numerous investors" was allegedly squandered on luxury cars and other extravaganzas, the paper said.

Mr. Sun went into business in 1980 with a 600,000 yuan bank loan as the director and president of the Dalian Hongxiang Commercial Development Co., which boasted numerous brick factories all over China — all of which were losing money.

Between 1985 and 1994 he raised increasingly large sums of money by offering investors interest rates of up to 19.2 percent, 80 percent higher than the prevailing bank deposit rate, the newspaper said.

The Dalian government, complying with an order from Beijing, launched a campaign in March to stamp out illegal money raising and seal repeated warnings to Mr. Sun to end his activities and pay back investors, it said.

He informed investors in May of a six-month delay in interest payments and allegedly moved more than 6.6 million yuan and \$200,000 abroad before buying plane tickets, the paper claimed.

Mr. Sun said that around that time, the previous owners started giving tours of the factory, taking advantage of visitors to the region's Amish and Mennonite attractions. Tourists now account for about 50 percent of the company's sales, Michael Tschudy said.

The traditional commercial baking is now just 20 percent of the business, with mail order sales comprising the rest. Mr. Tschudy said annual revenue was about \$100,000 in 1970, when his father purchased the company, and it peaked at \$1 million in 1992. But the company has suffered slightly from its own success, and sales last year fell to \$800,000, which is the likely level this year as well.

Mr. Tschudy said Sturgis had been doing private-label baking for a larger snack food company. That customer wanted Sturgis to devote all its time to the private-label work, and when the Tschudy family refused, it offered to buy the company. Barbara Tschudy said the offer was rejected.

Tourists coming to the store can buy a six-pound bag of plain pretzels for \$3.98, and Mrs. Tschudy said 60,000 such bags are sold each year.

Western Leaders Pledge to Create Giant Trade Zone

Compiled by Our Staff From Dispatches

MIAMI — A pledge to negotiate a gigantic open-trade zone by the year 2005 and to expand the North American Free Trade Agreement to include Chile capped a three-day meeting of leaders from across the Western hemisphere.

U.S. President Bill Clinton on Sunday called the Summit of the Americas an extraordinary moment of opportunity that "more than fulfilled our expectations."

"Future generations will look back on the Miami summit as a moment when the course of history in the Americas changed for the better," he said.

Mr. Clinton and the leaders of Mexico and Canada said negotiations to include Chile in NAFTA were set to begin by May 1995. Leaders from all 34 countries represented at the meeting agreed to create a Free Trade Area of the Americas, which would liberalize trade from Alaska to Argentina within the next decade.

In a series of speeches, the leaders applauded themselves and the spirit of the summit meeting. Ernesto Zedillo Ponce de Leon, the president of Mexico, said the summit opened "a new era in our history." President Itamar Franco of Brazil declared that it would "usher in a lasting era of peace and understanding."

In addition to the trade plans, the leaders adopted a program listing more than 100 action issues, including environmental cooperation, measures against corruption, nar-

cotics trafficking and money laundering, and steps to promote democracy, education and health care.

Warren M. Christopher, the U.S. secretary of state, said there had been an "extraordinary degree of economic and political cooperation" among the governments with a variety of traditional differences.

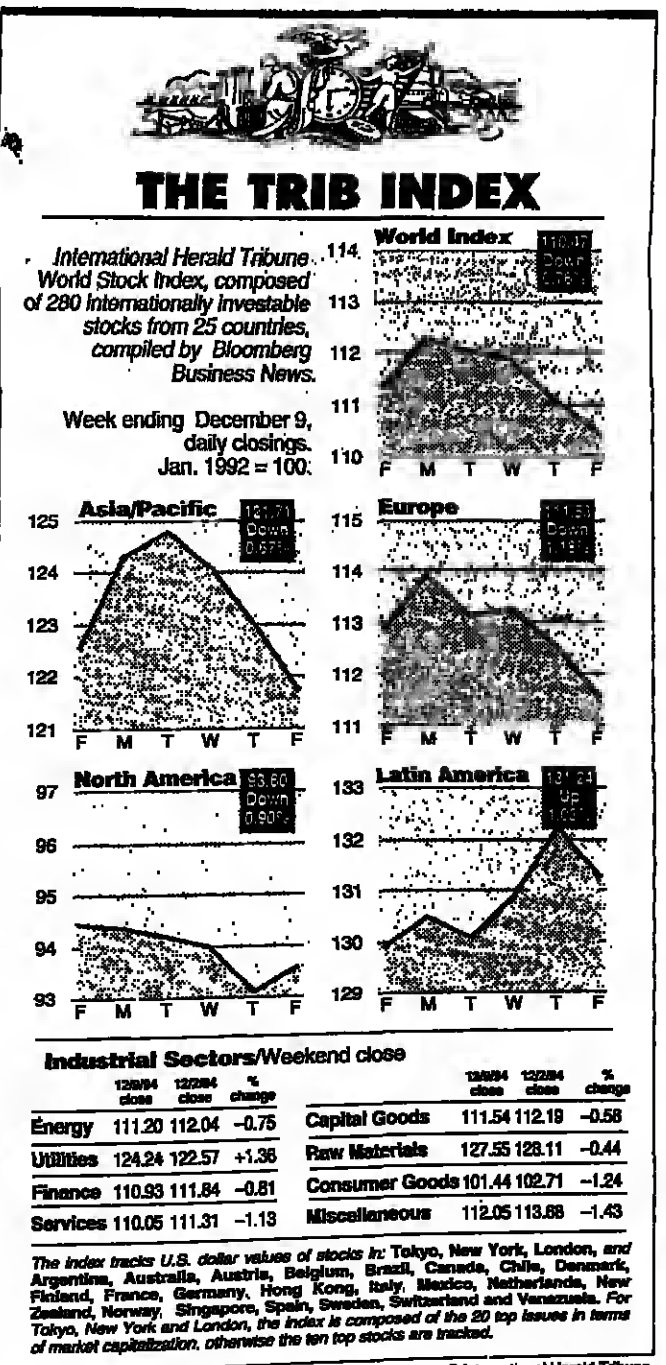
Eduardo Frei, the president of Chile, said the fact his country would join NAFTA proved the Summit of the Americas produced tangible results.

He said the benefits his country would reap by joining NAFTA outweighed changes Chile would have to make in its "management style" to be included in the North American zone.

"I believe this agreement will not only unleash historical profits for Chile but also for the world," Mr. Frei said.

Mr. Clinton echoed that sentiment. "From the leaders of our hemisphere's largest economies to the smallest, we believe the rewards will be great and very much worth the effort," that lies ahead on the free-trade deal, Mr. Clinton said.

After the summit meeting closed, the president of Bolivia, Gonzalo Sanchez de Lozada, announced that his country would host a November 1996 hemisphere meeting on "sustainable development," or the pursuit of economic development in harmony with the environment. (AP, Knight-Ridder)



Turning Pretzels to Profit Health Fad Buys Family-Run Bakery

By Mitchell Martin
International Herald Tribune

LITITZ, Pennsylvania — With its oast two-story houses, East Main Street in Lititz resembles a Norman Rockwell painting of small town America. The only thing that seems out of place is the four-foot-tall pretzel in front of 219, the home of the Sturgis Pretzel House, the first U.S. pretzel bakery.

The family-run Sturgis company has grown more than eight-fold in the last two decades as it combined tourism with the phenomenal popularity of pretzels in a health-conscious, fat-averse America. According to the Snack Food Association, pretzel sales jumped 25 percent in 1993, to \$1.1 billion, far outpacing the rises of other kinds of snack foods. Because they are baked, not fried like potato chips, pretzels contain little or no fat.

John Sturgis was a baker in this town, on the northern fringe of Pennsylvania Dutch country, in 1860. The company legend is that a hobnob passing through town in that year traded a German pretzel recipe for a meal one day, and that by 1861 the bakery's four ovens were all producing pretzels, having forsaken other baked goods.

"Bums rood the rails, even when I was little," said Barbara Tschudy, whose husband, Clyde, bought the company in 1970. "Bums would come to the door and ask for a sandwich."

The Tschudy family is related to the Sturgis, who sold the company in 1948, she said, although Lewis Sturgis, a son of the founder, worked at the company until 1975. Clyde runs

the baking operation, while his son Michael and daughter-in-law Holly keep an eye on the business end with Barbara. Overall, the company usually employs 13 people.

For more than a century, the four coal ovens were used to bake pretzels, which are popular with the German people who settled this part of eastern Pennsylvania. (The Dutch in Pennsylvania Dutch is a corruption of *deutsch*, the German word for German.) In the mid-1960s, a gas-powered oven was installed to bake most of the pretzels, although hand-made soft pretzels are still done in the original ovens.

Mrs. Tschudy said that around that time, the previous owners started giving tours of the factory, taking advantage of visitors to the region's Amish and Mennonite attractions. Tourists now account for about 50 percent of the company's sales, Michael Tschudy said.

The traditional commercial baking is now just 20 percent of the business, with mail order sales comprising the rest. Mr. Tschudy said annual revenue was about \$100,000 in 1970, when his father purchased the company, and it peaked at \$1 million in 1992. But the company has suffered slightly from its own success, and sales last year fell to \$800,000, which is the likely level this year as well.

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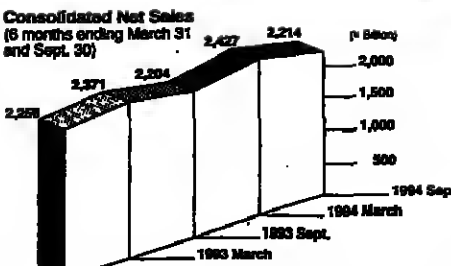
Tourists coming to the store can buy a six-pound bag of plain pretzels for \$3.98, and Mrs. Tschudy said 60,000 such bags are sold each year.

CONSOLIDATED SEMI-ANNUAL REPORT

Statement of Income

(for the period April 1, 1994 to September 30, 1994) in Millions of Yen

Net sales	2,213,884
Cost of sales	1,556,842
Income before taxes and minority interests	41,761
Income taxes	25,483
Net income	6,793
Net income per share	2.11 (in Yen)



Balance Sheet

(September 30, 1994) in Millions of Yen

Assets		Liabilities and Shareholders' Equity	
Cash and cash equivalents	632,746	Bank loans and current portion of long-term debt	941,328
Notes and accounts receivable	1,036,236	Notes and accounts payable, trade	845,953
Inventories	1,201,508	Other current liabilities	1,062,656
Other current assets	393,933	Long-term liabilities	1,401,140
Property, plant and equipment	1,384,295	Minority interests	79,425
Other assets	826,120	Shareholders' equity	1,104,322
Total assets	5,454,836	Total liabilities and shareholders' equity	5,454,836

In Touch with Tomorrow
TOSHIBA

OMEGA

THE LINK BETWEEN THE PAST AND THE FUTURE



NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Dec. 9.

Stocks	Div	Yld	100	High	Low	Chg	Chg
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China Moves Secret Cold War Industries

By Patrick E. Tyler
New York Times Service

MIANYANG, China — Fearing nuclear attack from either the United States or the Soviet Union, China in the mid-1960s undertook what was perhaps the largest industrial relocation in history to protect its strategic facilities.

Now, more than 20 years after World War II failed to occur as Mao Zedong had predicted, some of the country's top scientists and engineers are still trickling down from production lines in remote mountains and caves to gleaming cities like this one in south-central China.

They are designing television sets, fax machines, satellite receivers and, perhaps, the battery system for the next electric car. They are also setting up factories and sending delegations to New York seeking investment capital for these high-technology ventures.

"You know, there are many things in common with the manufacture of bombs and in the manufacture of automobiles," said Zhu Senyuan, 48, a computer automation specialist at a military institute now helping 600 factories across China convert armaments lines to commercial production.

But many of the factories are outdated or redundant, and despite their relocation to cities on the plains, they are far from potential markets as China tries to restructure its economy.

Under Mao's policy, hundreds of key

industries were relocated in the 1960s and 1970s to remote canyons and caves in northwestern and southwestern China. The cost of the top-secret program was staggering. Barry Naughton, an economist at the University of California at San Diego, has estimated that during the peak years China was spend-

Many of the factories are outdated and despite their relocation to cities on the plains they are far from potential markets.

ing 40 percent to 50 percent of its national investment resources under the so-called Third Line policy, and that it had sent hundreds of thousands of workers to the mountains, where they chiseled out caverns and tunnels for railroads, transported machinery and erected assembly lines.

"It very substantially slowed down China's economic growth and on some levels contributed to the collapse of central planning," said Mr. Naughton, a specialist on China's economy who has conducted one of the few studies on the Third Line and its impact.

Beijing's central planners "got so tan-

gled up in directing resources to these remote sites that they never could complete these projects or make them economically viable," he said during a recent visit to China.

By the time the Third Line was completed, Mao had died.

"The decision by Mao to build the Third Line was a big mistake," said Hua Di, a rocket scientist who spent months living in Third Line bases testing China's first strategic nuclear missiles. He now lives in California. "We have wasted a lot of money by building this Third Line," which, he added, gave China little additional security.

"If you have a rocket program, and a bomb or missile falls on just one of the many component factories, then you have no program," Mr. Hua said.

In its heyday, planners of the Third Line ordered steel mills, nuclear weapons plants and huge truck assembly lines, first built in coastal provinces or near borders with the Soviet Union, disassembled and transported over treacherous mountain roads or paths to what Mao thought would be an impenetrable "rear base," or "third line of defense" to sustain a Chinese war effort. The "first" line was China's coastal defenses; the "second" line was a fallback position on the central China plain.

The consequences of the program are still radiating into the present because the construction was so large in scale

and took so long, 15 years in some cases, that it left China with an uneconomical and inefficient industrial architecture. Today, the plants are still being dismantled, abandoned or turned to other uses.

"There is a major investment in this region," said Chen Zhixiang, deputy director of the Mianyang economic and planning commission, "but the problem is that the investment is spread out through canyons some distance from the city. Our production and research bases are located in the mountains and accessible only over very difficult roads."

Even Mianyang is difficult to reach. The 100 kilometers (60 miles) of winding two-lane road from Chengdu, the provincial capital, can take four hours.

Today, much of the burden of finding employment for the Third Line work force has fallen on the governments of inland provinces, whose economies are not as strong as those in the coastal belt.

Governor Xiao Yang of Sichuan Province said that while the prospects for the best of the Third Line factories were good, nothing seemed certain about the bulk of the rest.

"The state of the Third Line industries is that one-third of them are doing very well," he said, "but another third are just breaking even and the last third are in very bad shape."

With two-thirds of these industries at break-even levels or worse, their future very much depends on sustained high growth in China's economy.

The Week Ahead: World Economic Calendar, Dec. 12 - 16

A schedule of the week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

Asia-Pacific

Dec. 12 Sydney Australian retail sales figures for October. Forecast: 2.8 percent gain. Building starts for the July-September quarter.

Expected sometime this week

Sydney Money supply figure for October.

Dec. 13 Tokyo Machinery orders for October. Steel production during November. Bank of Japan to release wholesale price index for November.

Wellington Reserve Bank of New Zealand to release biannual report on monetary policy. Food prices for November.

Dec. 14 Hong Kong Government to auction two pieces of land in the New Territories area.

Tokyo Bankruptcies during November released by Tokyo Shoko Research and Tokai-Mitsubishi Bank.

Wellington Labor cost index for July-September quarter.

Dec. 15 Sydney Westpac-Melbourne leading economic index for October.

Hong Kong Government to issue jobs figures for the three months from September through November.

Tokyo Bank of Japan to release November money supply.

Dec. 16 Tokyo Bank of Japan Governor Yasuhiro Johno's two-year term ends. He will be replaced by Yasuo Matsuura, executive adviser of Sakurai Bank.

Europe

Dec. 12 London November producer price index. Forecast for input

prices: up 0.3 percent in month, up 7.5 percent in year. Forecast for output prices: up 0.2 percent in month, up 2.5 percent in year.

Paris November consumer price index. Forecast: up 0.2 percent in month, up 1.8 percent in year.

Oax November consumer price index. Forecast: up 0.1 percent.

Stockholm November unemployment. Forecast: unchanged.

Expected sometime this week

Paris October M3. Forecast: up 0.3 percent.

Amsterdam November consumer price index. Forecast: up 2.8 percent in year.

October producer price index. October retail sales volume.

Frankfurt October retail sales. Forecast: down 0.8 percent. West German October retail sales. Forecast: up 0.5 percent in year.

Rome October industrial production. Forecast: up 5.0 percent.

Dec. 14 Bonn Finance Minister Theo Waigel to present updated 1995 federal budget.

London November retail price index. Forecast: down 0.1 percent, up 2.4 percent in year. November unemployment. Forecast: down by 30,000. November average earnings. Forecast: up 3.75 percent.

Paris Current account. Forecast: up 2.2 billion francs.

Dec. 15 Amsterdam Three-month unemployment. Forecast: down to 7.5 percent.

Helsinki November consumer price index. Forecast: up 0.1 percent in month, up 2.1 percent in year.

London November retail sales. Forecast: up 0.2 percent in month, up 3.1 percent in year.

Americas

Dec. 12 Washington Department of Agriculture expected to release information on world coffee production.

Dec. 13 Washington November producer price index. November retail sales.

New York Johnson Redbook research service releases its weekly survey of same-store sales at U.S. department, discount and chain stores.

Dec. 14 Washington November consumer price index. The Federal Reserve reports November industrial production and capacity utilization. Third-quarter current account balance. The Labor Department reports November retail earnings.

Osaka Department store sales report for October. Winter 1994 perspectives on labor and income report.

Dec. 15 Philadelphia The Philadelphia Federal Reserve releases its monthly survey of economic activity for December.

Washington The Commerce Department reports October business inventories and sales. November money supply. The Labor Department reports initial weekly state unemployment compensation insurance claims.

Dec. 16 Washington November housing starts and building permits. Chicago Consumer price index report for November. Travel report for December.

Aust. Author, Michigan The University of Michigan releases its preliminary consumer sentiment index for December.

For Brave Investor, Former Soviet Bank Debt Beckons

By Richard W. Stevenson
New York Times Service

NEW YORK — It is hardly for the faint of heart. But some traders say that the former Soviet Union's \$26 billion worth of commercial bank debt, which is trading on secondary markets for around 32 cents on the dollar, could prove a good bet for investors with the stomach to hold it for the long term.

The loans, one of several classes of Russian debt that are traded in Europe and the United States, have been a volatile investment for several years and the coming months could bring more of the same.

But if Russia, which has taken responsibility for the Soviet Union's debts, can finalize an agreement with its 600 commercial bank lenders to stretch out repayment, traders said the value of the debt, which is mainly bought and sold by institutional investors, could surge.

The value of the bank debt has swung in the past 12 months from a high of around 50 cents on the dollar down to half that and then back up above 40 cents in early October.

That was just before the Russian government announced an outline agreement with the bank consortium, led by Deutsche Bank AG, for a rescheduling package that included a \$500 million payment by Russia for past-due interest to be made by the end of this year.

But when the ruble crashed in October and the Russian government's economic policy threatened to run off course, the price of the debt began sinking again, a process that was accelerated when President Boris Yeltsin named Oleg D. Davydov as his new chief debt negotiator.

In his previous job as trade minister, Mr. Davydov horrified the debt holders by suggesting that Russia should seek to have

some or all of its loans forgiven. Mr. Davydov has since backtracked on his idea of canceling some of the debts, but in the markets the damage was already done. The bank loans sank to around 28 cents on the dollar last month before rebounding slightly.

The price is now about 32 cents and traders said it had remained firm at those levels on reports that there has been buying from Russia. Traders interpreted the Russian buying to mean that government insiders think finalization of the deal is within reach and are taking positions on expectations for the price to rise.

"At these levels we have tended to find that there are some players who will stop in and buy as a long-term play," said Bob McCarthy, the head of Eastern Europe trading at Morgan Grenfell in London. "They feel that eventually there will be a deal."

Few investors are taking anything for granted. The \$500 million interest payment agreed to in October now is unlikely to be made by the end of the year. Mr. Davydov, although apparently eager to ease the fears of the world's bankers, has not yet revealed much about his negotiating position or how it might differ from that of his predecessor, Alexander N. Shokhin.

Traders said they expected Mr. Davydov to move relatively quickly to complete a repayment agreement.

"I believe the Russians recognize that they need to get this behind them because they are starving for capital," said Nicholas Jordan, a trader at Chemical Bank in London. "They recognize that there's a limit to how much capital will come into their country until they get some of the foreign debt problems out of the way. I think it will be sooner rather than later, but there are still some substantial issues to be dealt with."

FED: Inflation Data Pose Threat

Continued from Page 10

cent recovery, and data for October showed a \$10-billion increase in foreign bond purchases, suggesting that capital has again started to flow out of Japan.

But Jim O'Neill at Swiss Bank Corp. in London, warns that the report is "highly misleading" because it includes Japanese purchases of European bonds. "Japanese investors remain remarkably loath to take any foreign exchange risk," he insists.

Even Japanese bankers, who were lead managers in \$850 million of the \$2.3 billion worth of

fixed-coupon Eurodollar bonds issued last week, acknowledge that it is premature to suggest Japanese investors are looking at foreign currency bonds.

Argentina, which just raised 15 billion yen, is scheduled this week to make its maiden entry into the Eurofranc market with the sale of 1 billion French francs of three-year notes.

South Africa, which last week reentered the dollar market with a global offering of \$750 million of five-year notes, is expected early next year to issue securities in Japan to raise 50 billion yen.

SHORT COVER

Investors Shun Oriental Offering

HONG KONG (Bloomberg) — Oriental Metals (Holdings) said Sunday that its initial offering of shares was only 59.24 percent subscribed, leaving the rest in the hands of underwriters.

The company is a subsidiary of ONFEM Holdings Ltd., an investment company controlled by the state-owned China National Nonferrous Metals Industry Corp.

Concerns about the impact that high inflation and austerity measures introduced to control it will have on corporate earnings have caused international investors to lose their interest in Chinese companies.

Kmart Ready to Cut Jobs

DETROIT (Bloomberg) — Kmart Corp. may announce as early as Monday the layoff of hundreds of workers at the company's headquarters in Troy, Michigan, the Detroit News reported.

The company confirmed that executives held meetings Saturday and Sunday to try to decide how to cut as much as \$600 million next year from Kmart's \$8.5 billion budget. Joseph Antonini, the chairman of Kmart, said last month that some jobs would be cut as the company eliminated redundant processes.

China Vows to Expand Trade Plan

BEIJING (AFP) — China, in a bid to increase its chances of joining the General Agreement on Tariffs and Trade this year, said Sunday it would expand bidding for export quotas to enhance trade transparency and fairness.

Tang Wei, an official with the Ministry of Foreign Trade and Economic Cooperation, said the bidding system, first introduced in February, "has reaped initial success in curbing free-wheeling price wars that often involve China in international dumping disputes," the China Daily's Business Weekly reported.

LCD: Goldstar Moves Into Market

Continued from Page 11

a cheap player," said one Goldstar manager.

Indeed, with the South Korean companies importing the vast majority of their production equipment and materials from Japan, there is virtually no chance of beating the Japanese on production cost. But they hope that strong demand for LCDs will minimize the discounts they must offer to win business from Apple Computer Inc., Compaq Computer Corp. and other major assemblers, mostly American, that they are courting.

The aggressive move into the market by the South Koreans could help to lower prices for notebook computers. The wholesale price for 10-inch (25.4-centimeter) color active-matrix screens will fall from about \$1,200 at the beginning of 1995 to \$900 by the end of the year, according to Shi Sang Woon, Samsung's senior sales manager for LCDs.

But it remains unknown how quickly the South Koreans will be able to increase their yields — the percentage of screens that come off the production line without any defects. In pilot production, executives say their yields are already comparable to the Japanese, but analysts say they may encounter unforeseen problems in mass production.

More daunting, there is the possibility that other types of color displays that are simpler and cheaper to produce will become dominant, making LCDs attractive only for the most expensive notebook computers.

Both Goldstar and Samsung are investing about 500 billion won (\$625 million) over several years to equip new LCD fabrication plants outside Seoul. Goldstar will make screens for notebook computers as well as smaller panels for car navigation, audio-visual and other equipment.

Samsung aims to concentrate on the top end of the market. It plans to mass-produce 10-inch screens next February and boost output to as many as 60,000 units a month by the end of the year. Later it will diversify into other types of screens, aiming to grab 10 percent of a global active-matrix LCD market it values at \$16 billion in the year 2000.

"We intend to be among the world's top 5 suppliers by the year 2000," Mr. Shi said. "Our minimum target for market share is 10 percent."

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The invitation for bids is international and public. The documentation, including the conditions of the competition and technical information, may be purchased between 9:00 a.m. and 12:00 noon on work days up to January 12, 1995 at the non-refundable price of 30,000 HUF + 25% VAT, at Budapest Metropolitan Property Management Center Co. Ltd., 23-27 Váci uti, XII floor, Budapest XIII, H-1134 Hungary Phone/Fax: /36-1/120-2278, 120-1278

Tenders must be received before 14:00 p.m. January 20, 1995

The opening of tenders: January 24, 1995, 10:00 a.m. A committee designated by the present owner will preliminarily evaluate tenders. The final decision ought to be made by February 28, 1995, by the General Assembly of the Municipality of Budapest.

Hungarian law requires that we notify bidders that the inviter of bids has foreign trade rights.

CHIP: Taiwan Gamble Pays Off

Continued from Page 11

Mr. Chang said. CRTs are cathode ray tubes.

Originally his job was to help steer a government-backed research and development effort toward commercial success. But seeing an enormous opportunity, Mr. Chang convinced the Taiwan government and Dutch electronics giant Philips Electronics NV to set up the world's first independent chip foundry.

"I knew what it took to do a fab well," said Mr. Chang, in the industry parlance for a chip-making factory. "And I thought Taiwan possessed many of those requirements."

In seven years, that business, TSMC, has grown and is forecast to make a \$2 billion Taiwan dollar (\$311 million) profit this year and 13.3 billion Taiwan dollars in 1995, according to HG Asia Securities Taiwan Ltd.

TSMC restricts its business to making mostly logic chips under contract to other companies. With still more expansion in mind, TSMC has taken a 25 percent stake in another ITRI spin-off, Taiwan Sub-Micron Laboratories, the country's most advanced semiconductor facility.

World-class engineering, low salaries for highly trained technicians and economies of scale have combined to make TSMC the largest "pure foundry" business in the world with an estimated 12.6 percent global market share.

"Taiwan Semiconductor represents an unparalleled corporate success story," said Jonathan Ross, head of HG Asia Taiwan, of a business started with a \$46 million initial investment that has allowed Taiwanese chip design houses to lessen their dependence on foreign manufacturers.

To remain ahead of the pack, TSMC will spend between \$300 and \$500 million a year over the next three years in a bid to double capacity.

With still more expansion in mind, TSMC has taken a 25 percent stake in another ITRI spin-off, Taiwan Sub-Micron Laboratories, the country's most advanced semiconductor facility.

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COMING TO TERMS WITH ECONOMIC REALITY

Despite criticism, Saudi Arabia maintains its economic strength.

Significant changes are taking place in both the public and private sectors as the government, strapped for cash over the past two years, tries to come to terms with its present economic position.

The situation is a result of several factors: the Gulf War's exceptional costs, an estimated \$77 billion, of which more than half was paid by Saudi Arabia; a slump in world oil prices; and an expected overall aggregate current-account deficit in 1991-1996 of \$96 billion, according to International Monetary Fund estimates.

The situation is exacerbated by the substantial defense spending in the past four years, amounting to well over \$30 billion, much of it linked to offset programs with the United States, Britain and France. Over the past four years, the kingdom has gone to the international banking system to borrow a total of \$7 billion. Banking sources suggest further borrowings may be needed in the short term.

Responding to criticism

International criticism of Saudi Arabia's overall economic position following visits by International Monetary Fund teams and U.S. Treasury Secretary Lloyd Bentsen have been pushed aside by King Fahd, Ibn Abdul-Aziz, the Custodian of the Two Holy Mosques and ruler of Saudi Arabia.

In a recent broadcast, he insisted that the economy was still strong and that he would keep his pledge to privatize important state-owned sectors. "There have been a lot of harmful campaigns against our economy," he said. "But thank God, our economy is still strong, and we do not have major problems. We have and are still spending billions of dollars in subsidies to housing and farming and in loans and grants to Arab and other countries."

Role for private sector

For the past decade, the government has been urging the private sector to play a greater role in the development of the kingdom, particularly in the public sector. Saudi Arabia is now the world's largest oil producer. With production of more than 8 million barrels a day, it has overtaken the former Soviet Union oil producers. Oil revenues are expected to fall to about \$38 billion this year. While bankers may be expressing doubts about the kingdom's current financial position, most analysts point out that it has to be remembered that

Saudi Arabia holds more than 25 percent of all global oil reserves.

Attempts to diversify the economy, increase the added value of downstream petrochemical products and improve the manufacturing and agricultural export base are now bearing results. Non-oil exports have risen from \$6 billion in 1987 to \$8.4 billion in 1992, according to an analysis by the Abu Dhabi-based Arab Monetary Fund.

Moves to attract capital

Earlier this year, King Fahd told a Riyadh University graduation audience that the private sector now contributed 35 percent of the kingdom's gross domestic product. "The government intends to attract national capital into its productive institutions," King Fahd added.

He envisaged a move that would enable private investors to buy into certain state entities, in which the government would retain only a minority interest.

A package of new incentives for private investors has been announced in the forthcoming Five-Year Plan in order to attract a greater return of capital invested overseas. The plan is also seeking more foreign investment, in the form of both cash and transfer of technology. It has always been an objective of the offset programs to encourage defense contractors to provide the basis for new high-tech industries.

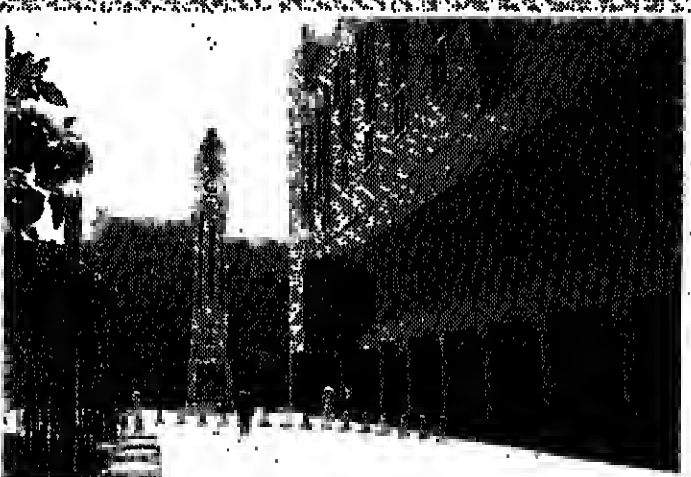
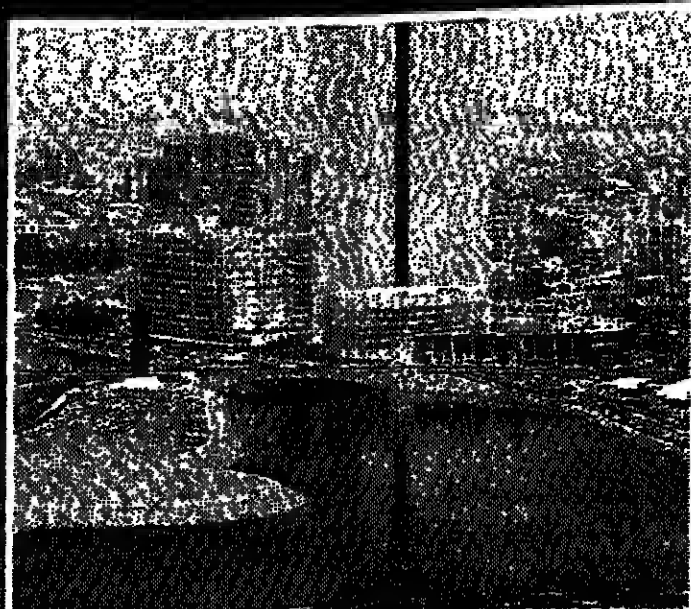
'Massive excess liquidity'

While public finances may be in disarray, there is no shortage of private funds in the banking system. Henry Azzam, chief economist of the National Commercial Bank, said at the IHT Oil and Money Conference in London last October: "There is massive excess liquidity in the Saudi financial system. Most of it ends up in interbank deposits overseas. These funds can be absorbed in the kingdom and used by the private sector — and the government, to finance its deficit." Other bankers in the kingdom suggest that excess liquidity amounts to around \$30 billion to \$40 billion. According to the Saudi Arabian Monetary Agency (SAMA), total bank deposits at the end of 1993 stood at 183 million riyals (\$49 million), compared with 143 million riyals at the end of 1990.

Lack of suitable financial instru-

Continued on page 15

PRIVATIZATION INDUSTRY EXPORTS



From the National Commercial Bank center in downtown Jeddah (top) to a truck-production line and a new pedestrian district in Riyadh (bottom), the kingdom offers evidence of a vigorous and diversified economy.

THE ONGOING DEBATE OVER PRIVATIZATION

Will Saudia, Sabic and other state entities soon open to private investment?

Continued diversification of the kingdom's economy and greater involvement by the private sector are priorities in the sixth Five-Year Plan (1995-2000), which takes effect next January. Although weaker oil prices have accelerated moves to sell off some state entities, some confusion still exists over which companies or industries will be available for private investment.

"We will sell some successful government projects to nationals," said King Fahd in a Middle East Broadcasting Center television interview this summer. "It is time for the citizens to participate in some projects like telecommunications, water, electricity and other sectors."

Giant state entities

The government has also stated that public bodies for privatization might include Saudia, the national carrier, and some of the electricity-generating companies.

There is uncertainty about whether the giant state entity, Saudi Basic Industries Corporation, will be open to private investment; Sabic has 18 world-class plants, mainly in the petrochemical sector.

Any investment in Saudia, which has one of the world's biggest jet fleets and is about to undergo a major fleet renewal, would most likely be limited to nationals of Saudi Arabia and possibly Gulf Cooperation Council country nationals.

Some analysts believe it might be possible that some utility services, like water and power, may be let on a build-operate-and-transfer system if any improvements or extensions are made under the new Five-Year Plan. An ideal candidate for BOT would be AT&T's \$4 billion nationwide telecommunications project.

Mixed messages

There have been many mixed signals this year about the extent and implementation of privatization and exactly how it will be carried out.

Abdel-Aziz Al-Zamil, Saudi Arabia's minister of industry and electrici-

ty as well as chairman of Sabic, said that the government would not necessarily maintain a stake in the petrochemical sector, but final decisions were still awaited.

The new plan, which calls for more private investment, does not exclude foreign sources. There will, however, probably be restrictions on full foreign ownership, especially in what are regarded as strategic industries — aviation, oil and petrochemicals, power generation and the media. The preferred option would be for more joint ventures between the foreign and local investor or investors.

Targeting flight capital

The current debate within government circles is exactly how the kingdom can attract the billions of dollars of flight capital back into Saudi Arabia by introducing the new incentives.

"There is no doubt that all these measures by the government will open up a vast scope for foreign investors to enter joint projects within the private sector," comments a recent study by the Arab Corporation for Investment Guarantee, which is based in Kuwait. According to ACIG, total foreign investment in the kingdom at the end of last year was \$6.3 billion in 360 joint ventures, which had a total capitalization of \$14.74 billion. The joint-venture companies also included banks.

Private-sector investment

"I expect privatization to be successful, given the high liquidity in the local market and the huge resources of the private sector internally and abroad," says Yusuf Khalifa, an economics professor at Emirates University in the United Arab Emirates.

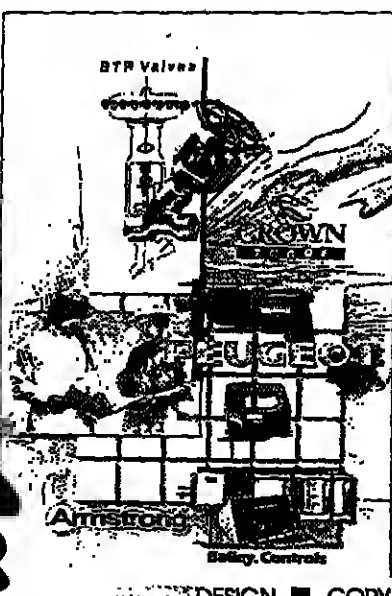
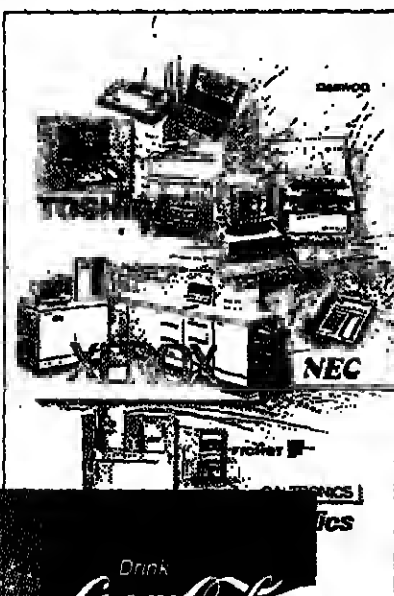
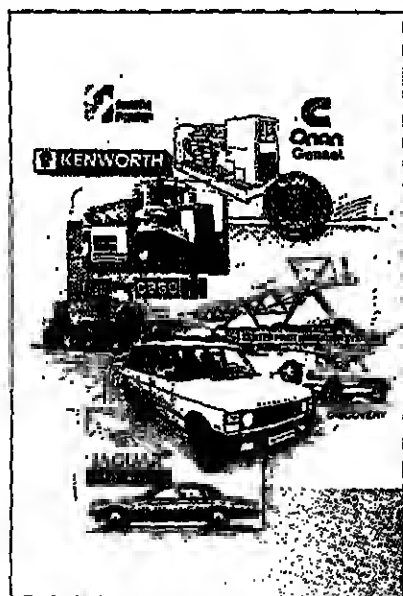
"This will open the door for the establishment of new companies, which will attract national and foreign investment," he adds.

One caveat highlighted by ACIG, however, is the ruling that Saudis must maintain a 51 percent holding, which it says has dissuaded potential major investors from the United States, Japan and other industrial powers.

L.V.

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SAUDI ARABIA

OFFSET PROGRAMS GAIN GROUND

Progress is made on the three main offset programs.

In addition to advances in the main offset programs — involving the United States, Britain and France — there are further possible developments in counter-trade as Saudi Arabia, with its finances under pressure, explores various options to meet projected aircraft and defense deals. Offset and counter-trade agreements have resulted in facilities and equipment such as giant underground oil-storage tanks blasted out of solid rock, new jetliners, a pharmaceutical factory, a sugar refinery, the manufacture of avionics components and telecommunications equipment. Approximately \$5 million a day, raised from part of the British offset program, is going toward rebuilding and developing the Two Holy Mosques at Makkah and Medina.

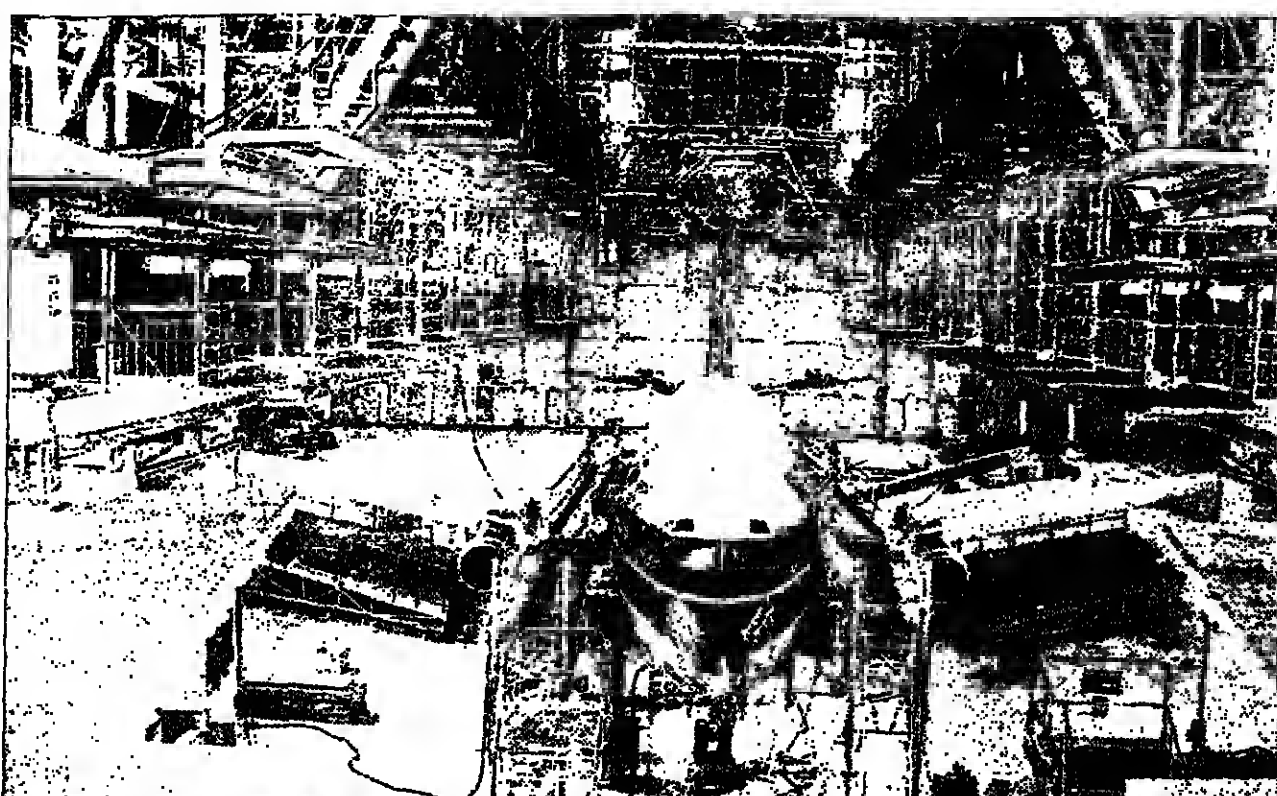
Oil swaps
Swapping oil for goods and services is not new to the kingdom. In 1984, an agreement was made for a swap of oil for 10 Boeing 747s, and this idea was later extended to defense contracts. Industry sources suggest that the same principle may be extended to current negotia-

tions over the purchase of up to 80 jetliners from Boeing and McDonnell Douglas to re-equip Saudia's fleet.

An important change is that civil contractors with major orders (such as AT&T's \$4 billion telecommunications project) are now encouraged to provide offset programs. So far, this is not mandatory for the civil sector, as it has in the United Arab Emirates for contracts worth over \$10 million.

Surveying the field
Under the original \$4 billion U.S. Peaceshield defense program, contractors had to reinvest 35 percent of the contract value in the kingdom in the form of new joint ventures and transfer of technology. Since 1990, U.S. defense sales have climbed to \$30 billion, about the same as the United States' own defense budget.

The terms of Britain's Al-Yamamah program were different, as the agreement was signed on a "best-efforts" basis to reinvest 25 percent of an ongoing program worth many billions of dollars. The French Sawari 11 program, which calls for a 35 percent reinvestment, has lagged behind the U.S.



A Saudia 737 undergoing maintenance at Al Salam Aircraft Company's facility at Riyadh. ASAC is part of the U.S. Peaceshield program.

and British programs. After lapsing, it has just been revised following the November agreement for a \$3.6 billion deal to supply two air-defense frigates, shore bases and training programs. Thomson-CSF and the Saudi group Shairco are involved in a \$48 million gold-refining project of old mine tailings.

Hundreds of proposals have been examined by the British Offset Office. Less

than two dozen have formal approval, and only four have started. The most outstanding one is a joint venture by Glaxo, one of the world's largest pharmaceutical companies, whose new factory at Jeddah is about to go into production. Booker Tate and Savola, a Jeddah-based edible-oil-processing company, are building a sugar refinery; British Aerospace and Kanoo have set up the Saudi Development and Training

Center. BAe has a shareholding in the Aircraft Accessories and Components Company. Rolls-Royce, General Electric and Pratt & Whitney have joined with Saudia to set up the Middle East Propulsion Company, which is now going ahead after several years' delay. In 1991, Hughes Aircraft Systems took over from Boeing to finish the Peaceshield 11 project. Its offset proposals include

manufacturing satellite-communications systems, auto parts and advanced software development.

The first civil offset program is being proposed by AT&T, which is interested in high-tech joint ventures and training programs with at least three leading Saudi companies — Advanced Electronics Co., International Systems Engineering and the Saudi Cable Company. L.V.

DIVERSIFYING THE ECONOMY

The kingdom focuses on non-oil exports.

"A country with a diversified economy is a stronger economy. Our industrial objective is to expand and diversify the production base, develop non-oil income sources and give the kingdom a greater degree of self-sufficiency," Abdul-Aziz Al-Zamil, minister of industry and electricity, declared to a group of investors in London.

During a visit to Japan last month, he carried proposals for more than 30 joint ventures and urged the Japanese private sector to provide more investment and technical assistance.

Diverse range of exports
While self-sufficiency was the primary objective, the emphasis today is on developing more non-oil exports. There is now a wide range of products, including downstream petrochemicals, derivatives and semi-manufactures, building iron, tiles and other ceramics, electric cables, pharmaceuticals and medical supplies, cans and bottles, air-conditioners, machinery and electrical appliances, processed foods and edible oils, flowers, fruit and vegetables, chickens, eggs and dairy products.

at the end of 1992 there were 445 companies in the kingdom, whose annual exports totaled more than \$2 billion. Total industrial-production sales amounted to \$10 billion.

Manufacturing up by 10%
Henry Azzam, chief economist of the National Commercial Bank, says that manufacturing, which accounts for 7 percent of Saudi Arabia's gross domestic product, grew by 10 percent in 1993.

This growth in manufacturing was a consequence of a sharp rise in the Saudi Basic Industries Corporation's production, to 14 million metric tons.

Sabic is the largest single non-oil exporter in Saudi Arabia. For the first nine months of this year, sales revenues rose to \$2.6 billion, from \$1.9 billion last year. It exports mainly petrochemicals to more than 76 countries.

Positive outlook for 1994
Mr. Azzam believes there is a positive outlook for manufacturing. He is confident that export-oriented companies will have done quite well by the end of the year.

"Petrochemicals, plastics, cables and metal products will have benefited from better growth prospects in the major export markets of the world," he says.

On the domestic side, Mr. Azzam adds, several industries were benefiting from a surge in consumer demand. These industrial sectors include food and beverages, which account for 17 percent of the total number of Saudi factories (2,036). Furniture and light consumer products were also doing well.

L.V.

COMING TO TERMS WITH REALITY

Continued from page 14

ments has led to considerable interest in Saudi Arabia's stock market, which has seen some frenetic activity in the past two years following a number of flotations and new issues. These have been oversubscribed many times. In the case of Saudi British Bank, the offer was oversubscribed 26 times.

Saudi Arabia has a population of some 12.6 million

(exact figures vary as details of the official 1992 census have not been published). About 60 percent of the inhabitants are under the age of 17. Combined with a very high population growth rate of 3.7 percent, job creation has become a major factor in determining economic and social policies. About 100,000 Saudis enter the job market annually.

In addition, many highly skilled and educated young Saudis are being tempted

away from "safe" jobs in government service (by far the biggest employer) into the expanding private sector, which offers better career prospects and higher salaries.

This year has seen some \$10 billion worth of new contracts between the kingdom and three U.S. companies — Boeing and McDonnell Douglas (\$6 billion) and AT&T (\$4 billion) — for new jetliners and internal telecommunications. These

orders reaffirm the Kingdom's commitment to its biggest trading partner, even if the question of payments has yet to be finalized. In the final analysis, however, big oil does mean big money.

"Every country has its ups and downs, and we are no different," says a leading Saudi oil man. "We just have to come to terms with reality and forget the boom days of the late 1970s."

Lee Voysey

SAUDI ARABIA: CURRENT AND CAPITAL ACCOUNT FORECAST, 1994-96

(\$ million)	1994	1995	1996
Exports	47,553	49,164	49,189
Imports	25,625	27,893	29,356
Trade balance	15,927	21,275	19,833
Net Services	-13,922	-15,974	-16,285
Transfers	-2,000	-8,800	-8,300
Current Account	-7,000	-3,000	-4,750

Sources: Saudi & Foreign, The Petroleum & Chemicals, Washington DC, August 1994.

Wheat harvest down
Until this year, wheat, which is heavily subsidized, had been an important export. The harvest this past season, however, is estimated to be 1.8 million metric tons, only sufficient to meet domestic demand.

A company formed recently under the U.S. offset program, Advanced Electronics Co. of Riyadh, is even manufacturing and exporting digital components for the Lockheed F-16 Fighting Falcon jets.

According to Mr. Zamil,

We're proud to be a part of Saudi Arabia's digital vision of the 21st century.

The Saudi Arabian government and the Ministry of Post, Telegraph and Telephone recently commissioned AT&T and Bell Laboratories to implement a world-class digital communications network.

As it is phased in over the next seven years, this network will add new communications capabilities geared for success in the 21st century, vastly enhancing Saudi Arabia's existing, highly advanced system with 1.5 million next-generation digital lines and 200,000 GSM (cellular) lines.

In fact, new switching, transmission, outside plant, operational support systems and mobile telephones will virtually double the capacity of the Kingdom's current communications network.

Which means that twice as many people in Saudi Arabia will be able to do all those things that only advanced data communications can empower them to do. So they can work faster, smarter and more cost-efficiently than ever before.

This is the largest single telecommunications project ever undertaken outside the United States. We're proud to be a part of it.



Today, Our Flag Flies More Proudly Than Ever Before.

Since its establishment back in 1968, the Petromin Lubricating Oil Company (Petrolube) has been the flagship of the Saudi lubricating oils industry. From the very beginning we set ourselves many goals...to strive for perfection in everything we do. The challenges were many, the achievements even more. • The first Saudi Arabian company to be established in the Kingdom to produce and market lubricating oils and greases. • The first and only Saudi company to produce and market, both locally and internationally, lubricating oils and greases under a proud and distinctly Saudi brand name - **Petrolube Oils**. • The first company to produce practically all the advanced range of lubes and greases used in Saudi Arabia, with a capacity

second to none in the Middle East. • The first lubricants company to be awarded the SASO "Quality Mark". • The first and only company in Saudi Arabia to produce the most highly advanced motor oil in the world... **ULTRA 7-API/SH**. • The first Saudi company to blend and produce lubes and grease products for major and independent oil companies. • The first Saudi lube company to market its products in over 35 countries around the world.

Now Petrolube has become the first Saudi Arabian company to be awarded the "ISO 9002" certificate for its three plants and its sales offices in the Kingdom, all at the same time. The latest achievement in reaching our goals that we have set.



SAUDI ARABIA

SAUDI ARAMCO TARGETS CAPACITY AND QUALITY

The world's largest oil company produces 8.1 million barrels a day, and 75 percent of the kingdom has yet to be explored.

Industry sources report that Saudi Aramco's maximum sustainable crude-oil output capacity is now just over 10 million barrels a day. To keep within the guidelines of the Organization of Petroleum Exporting Countries,

however, the average daily crude-oil output for the first nine months of the year was 8.1 million barrels a day.

Belt tightening
Saudi Aramco, now the world's largest oil company, is the result of a merger in June 1993 with Samarec, the marketing and refining organization. Developments are ahead of schedule, but some projects — notably the upgrading of the major export refinery at Ras Tanura — have been scaled back or postponed due to the belt-tightening of the overall economy.

\$15 billion slated

The original capital-expenditure program before last year's merger was about \$40 billion. This has been slashed to \$15 billion pending a complete reevaluation of the program.

Nevertheless, prospecting and development work on new fields in the central region and southeast are continuing as more than 75 percent of the kingdom has not yet been explored.

In the export field, Saudi

Aramco is trying to capitalize on the growing demand from the Far East. Asia and Australia now account for 52 percent of crude exports; North America accounts for 24 percent and Europe, 20 percent. The remainder goes to South America and Africa.

In recent years, Saudi Aramco has been trying to develop a more integrated system for crude oil and gas supplies and refining by establishing or buying into overseas downstream operations. These include a presence in the United States, Western Europe and East Asia.

Its objective is to increase refining capacity and quality of wellhead production to within its own capability either at home or abroad. Current domestic refining capacity is 1.7 million barrels a day, including 30,000 barrels a day from the Arabian Oil Company's refinery in the neutral zone shared with Kuwait.

David and Goliath
One of the most interesting developments in the past

few years has been the growth of the private sector in oil exploration and downstream activities — a David and Goliath situation. The most active company is Nimir Petroleum Corporation; its principal shareholder is the Bin Mahfouz family, which has the controlling interest in National Commercial Bank. Last year, Nimir was successfully pumping small quantities of crude from a Yemen concession, which it won in the face of stiff international competition from 12 other groups in 1991. Nimir is also active in Romania, Malta and the Russian North Pacific.

Another Jeddah-based company, Meridian International (Khalid Alireza and a U.S. group) has attempted to begin operations in some of the Central Asian Republics, formerly part of the Soviet Union.

In the summer of 1992, Meridian proposed a \$20 million investment to develop oil resources with Uzbekneft in a counter-trade venture.

L.V.



Sabic's Sadaf ethylene plant, one of the largest ethylene projects in the world.

INDUSTRIAL JEWEL: SAUDI BASIC INDUSTRIES CORP.

Thanks to increased production and marketing, Sabic's profits rose by 76 percent in the first nine months of this year.

The jewel in the crown of the kingdom's industrial development is the Saudi Basic Industries Corporation, which may be open to increased private investment from home — and abroad.

Last September, Abdul-Aziz Al Zamil, minister of industry and electricity and Sabic chairman, made it clear that the government would not insist on being involved in any future petrochemical-plant investments, provided the new company bought its raw materials locally. But he also said that

Sabic would continue to invest in new petrochemical projects or in the expansion of existing ones. By the end of next year, it is expected to raise \$4 billion to finance new expansion plans.

At the end of the first nine months of this year, Sabic's profits jumped 76 percent, to \$622 million, compared with the same period in 1993. Last year, annual profits amounted to \$564.4 million. Total production increased by 9 percent, to 17 million metric tons. Production for the first nine months

of this year was 14 million metric tons.

Supplies at short notice

Commenting on the dramatic improvement in Sabic's performance this year, Ibrahim A. Ibn Salamah, vice chairman and managing director, says: "The trend of declining profits in recent years is now being reversed." He attributed this to the rise in production and marketing, with a gradual but steady recovery of prices in the global petrochemical market. Sabic sells its prod-

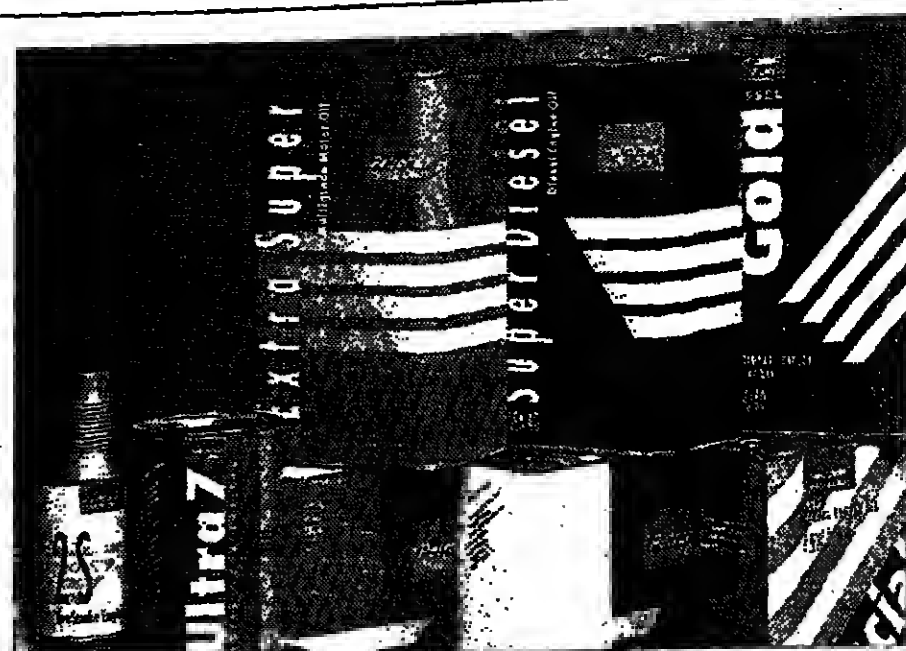
ucts to more than 70 countries; it has 15 marketing offices and storage facilities worldwide. This enables it to supply basic chemical raw materials to its customers at very short notice.

Sabic's manufacturing hub is the industrial city of Jubail, where 12 of its 15 plants are based, including a steelworks. A 13th plant is nearing completion. The corporation is one of the only petrochemical groups in the world to manufacture all five basic hydrocarbons. It also has investments in

two petrochemical plants in Bahrain, whose products it now markets, and the Aluminium Bahrain smelter.

Last year, it paid its shareholders 1 billion riyals (\$267 million) in dividends. At present, Saudi nationals and GCC citizens own 30 percent of the shareholding; the rest is held by the government. Following various (and at times conflicting) announcements, there has been speculation that 75 percent of the share capital will be open to private investment.

L.V.



PETROLUBE AWARDED ISO 9002 CERTIFICATE

"Many challenges, but even more achievements," says Petrolube's chief.

Commenting on some of the changes and developments taking place in Saudi industries, HE Ahmed M. Alkhereiji — chairman, president and chief executive officer of Petrolube — says that more and more companies in the kingdom are now pursuing the need for quality rather than quantity as consumers become more demanding and the market more competitive.

Established 26 years ago, Petrolube has now become the first Saudi Arabian company to be awarded the International Standards Organization's ISO 9002 certificate on its first attempt. The award was for its three lube oil plants and the company's sales offices throughout the kingdom.

Aiming for perfection

"From the very beginning, we set ourselves many goals, and we strive for perfection in everything we do," says Mr. Alkhereiji. Being awarded the ISO certificate, he adds, was "the latest achievement in reaching the goals we had set."

Petrolube is a joint-venture company between Petromin (71 percent) and Mobil (29 percent). It has a designed blending capacity at its three plants of more than 6 million barrels a year. Petrolube's blending plants were one of the kingdom's first downstream sectors. They

now provide the kingdom with two-thirds of its lubricating and grease requirements, which are marketed under the Petromin Oils brand name. Petrolube also produces products for other multinational oil brands, which are marketed in Saudi Arabia in healthy competition with Petromin Oils.

More than 30 countries

Over the years, Petrolube has built a reputation for providing quality products. Faced with saturation of the domestic market, it began looking outside the kingdom for export opportunities in the late 1980s. Today, Petrolube exports to more than 30 countries and has overseas blending operations in Egypt, Rotterdam, Pakistan and Malaysia.

Last year, a Petrolube sister company, the Petromin Lubricating Oil Refining Company (Lubref), produced 1.9 million barrels of base oils. Another 300,000 barrels of oils were imported, making a total of 2.3 million barrels for domestic consumption. Total production was divided between Petrolube (1.2 million barrels), a Shell joint-venture blending plant (700,000 barrels a year) and the local and privately owned Gulf Oil Trading Company's Yanbu refinery (400,000 barrels).

L.V.

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half a century
of achievements.



For nearly half a century, E.A. Juffali & Brothers Co. has been a major partner in the construction and development of the Kingdom of Saudi Arabia by introducing new products, innovative services and advanced technologies.

Now in the 1990's, E.A. Juffali & Brothers continues its mission by broadening markets, training Saudi youth, and providing quality goods and services.

Established in 1946, Juffali led the private sector in participating in the building of

Saudi Arabia's infrastructure. Beginning with electric power utilities, Juffali's activities extended into telecommunications, transportation, air-conditioning, and other products and services. These undertakings enhanced Saudi Arabia's economic base and substantially improved the economic life and prosperity of its people. Today, activities of the Juffali Group, include manufacturing, engineering, electronics, construction, distribution, and services.

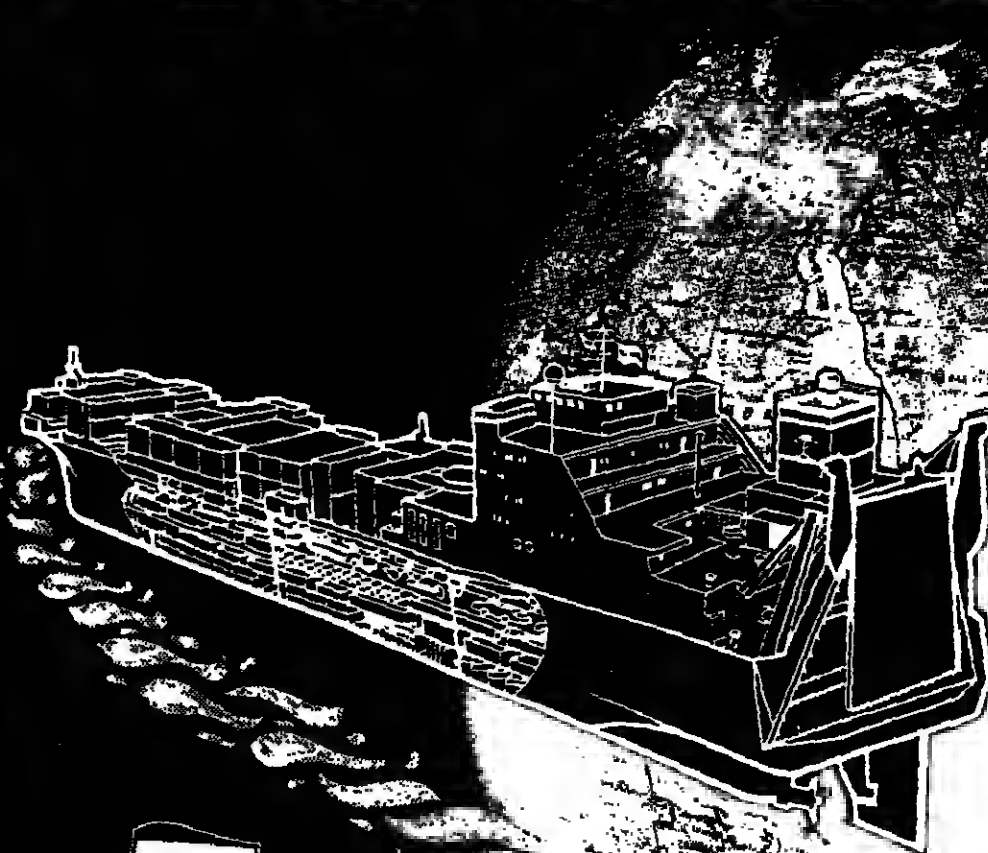


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THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

SAUDI ARABIA

PIONEERS IN PRIVATE SECTOR

E.A. Juffali & Brothers, founded in 1946, is now an industrial giant.

Wherever you go in Saudi Arabia, even to the most remote part of the Empty Quarter, you are bound to come across a Mercedes truck. The name is synonymous with E.A. Juffali & Brothers, one of the largest importers of Mercedes trucks in the world.

The company was founded in 1946 by the late Ahmed Juffali, whose brainchild was a joint venture with Mercedes-Benz AG called the National Automobile Industry.

This company has been assembling Mercedes commercial vehicles since 1977. It was one of the earliest manufacturing joint ventures in the kingdom. Juffali became a pioneer in developing the private sector, and the company has become

one of the largest industrial conglomerates in the Arab world. Its interests extend to the power industry, telecommunications, cement, manufacturing, air-conditioning, chemicals and a wide range of engineering and distribution services.

One of the latest Juffali projects is a joint venture with Dow Chemical for the production of latex for Saudi Arabia and other Middle East markets.

Most of the group's activities are carried out through wholly owned subsidiaries and joint ventures with names such as Siemens, Carrier, Electrolux, Fluor, Du Pont, L.M. Ericsson and many others.

Ahmed Juffali was a legend among business executives all over the Arab

world. He had a natural gift for far-sightedness and for identifying business opportunities and then pursuing them relentlessly. He possessed those special leadership qualities that attracted total commitment and loyalty among his staff. People mattered to him more than anything else.

E.A. Juffali & Brothers was one of the first private companies to establish an "in-house" technical training center for the long-term development of human resources.

Today, the Juffali Training Center in Jeddah turns out hundreds of technically skilled young Saudis each year, an appropriate reminder of Ahmed Juffali's perception of the needs of the kingdom. L.V.



Students under instruction at the Juffali Training Center in Jeddah.

TANKER FLEET WILL BE AMONG LARGEST

The kingdom's 30 very large crude-oil carriers will be capable of carrying 50 percent of its daily oil production of more than 8 million barrels, and they will be part of one of the world's biggest tanker fleets. Twenty-five of the VLCCs will be owned by Saudi Aramco through its wholly owned subsidiary Vela Marine International, and five have been ordered from the National Shipping Company of Saudi Arabia. The combined fleets of VMI, NSCSA and National Chemical Carriers (80 percent owned by NSCSA) now total about 70 vessels, including more than a dozen special petrochemical vessels.

Last year, NSCSA ordered five VLCCs of 300,000 deadweight each for a total of \$400 million.

NCC is due to take delivery today of the first of three 37,000-deadweight special chemical carriers costing \$225 million. The vessel, built by Kvaerner Govan Ltd. of Glasgow, is named NCC Riyadh.

Japan's Mitsubishi Heavy Industries, which has the order for the five VLCCs, is building an innovative design for the 300,000-deadweight crude-oil carriers. The vessels will have a double hull, which extends around the fuel tank structure; this should lessen any spillage if there is a grounding accident or collision. Each VLCC will be able to carry 2.1 million barrels of oil or petroleum products.

NSCSA, whose top management is all Saudi, is currently evaluating a number of new transportation concepts for the future. This includes a new design for Ro-Ro vessels. These will be used to replace the existing fleet of eight vessels by the end of the decade. L.V.

BANKING SECTOR RECORDS HEALTHY INCREASE IN PROFITS

Saudi banking boomed in the wake of the Gulf War, and most banks are well placed to cope with the more difficult conditions this year.

Saudi banks' profits soared after the Gulf War, and many banks took advantage of strong conditions to increase their capital. Most notably, the National Commercial Bank in late 1993 and early 1994 published results for most of its "missing years," showing that it was returning to profitability and that it possessed a capital ratio of around 14 percent (using the risk-weighted system), compared with the 8 percent standard recommended by the Bank of International Settlements.

Last of problem banks
In September, the last of the kingdom's potentially problem banks, Bank Al-Jazira, declared an operating loss of \$6 million and anticipated that it would be able to secure an operating profit on its 1994 activities. Bank Al-Jazira, however, typified current caution in Saudi banking circles by setting aside some \$14.1 million in provisions against loans and

investments. Loan-loss provisions in previous years were minimal, and provisions for investments were modest, with the bank's last significant total provisions figure amounting to just \$5.5 million in 1989.

Two major players in the Saudi market, Saudi American and Arab National, increased their provisions during the first nine months of 1994. While Saudi American, along with the United Saudi Commercial Bank and the Saudi Investment Bank, was still able to report increased profits in the first three-quarters of the year, five other banks have had to settle for reduced earnings.

In most cases, these downturns are comparatively modest and can simply be seen as a reflection of the downturn in the Saudi economy during the course of the year.

Interbank placements
One significant trend this year has been reduced inter-

bank placements, a consequence of increased local lending, not least to the government. As of the end of September, four banks — USCB, Saudi Hollandi, Saudi Fransi and SIB — were in breach of the Saudi Monetary Authority's guideline that the ratio of loans to customer deposits should not exceed 60 percent. Although SIB had the highest ratio (84.3 percent), this was at least down from the 89.8 percent ratio it recorded in the same period last year.

The peculiar circumstances concerning NCB and Bank Al-Jazira make it sensible to exclude them when considering overall bank performance in 1993. The country's other 10 commercial banks saw their profits rise a healthy 25.8 percent, from \$979.1 million in 1992 to \$1.23 billion in 1993. All 10 banks recorded a steady increase in their assets, loans and advances in the three-year period following the Gulf War.

With net profits also rising steadily from 1991 to 1993, the banks found themselves well-placed to cope with more difficult conditions in 1994. The first quarter of the year saw most banks securing a continued increase in profits, but the second quarter witnessed the first signs of retrenchment. Several reasons have been cited, including a fall in public-sector activity as a result of the government's declared intention to cut 1994 spending by 20 percent.

Spending cuts
Perhaps the most pressing question in late 1994 is whether the spending cuts will prompt a significant increase in bad debts and a consequent requirement for provisioning.

The banks' position reflects the dominance of the public sector in the Saudi economy. Henry Azzam, the chief economist of the National Commercial Bank, noted in

July that lending to the private sector remained firm, however. Indeed, in the first six months of the year, Saudi American's private-sector lending was 25 percent higher than in the first half of 1993.

With the private sector continuing to grow, there will thus continue to be scope for considerable bank lending. It should also be noted, however, that some private companies will be requiring funds not for productive investment, but as bridging loans pending payment for public-sector contracts.

As for NCB itself, the reorganization was epitomized by the appointment in April 1993 of former Citibank Chief Michael Callen as senior advisor to the chairman. His charge was to reform the bank, and concrete results are beginning to show. Financial statements for 1991, 1992 and 1993 show the bank's assets falling in 1992 and then recovering modestly in 1993.

The extent of the losses sustained from 1989 to 1991 has not yet been disclosed. Despite substantial provisioning, which totaled \$375.4 million between 1991 and 1993, the bank was still able to declare profits totaling \$248.3 million for 1992 and 1993. This year, provisioning will again be high, reflecting the recent settlement of the BCCI debacle.

By far the largest of the Saudi banks, NCB is clearly back in profit on its current business. In other words, NCB is once again not only the most important player in the Saudi market, but also a player whose problems are largely behind it.

John Roberts

NEW INSTRUMENTS FOR INVESTORS

Islamic banking and finance have undergone a major expansion, with new instruments offered to investors. The basic principle is that under Islamic law, interest is forbidden. The Jeddah-based Dallah Al-Baraka Group has set up two investment groups — Al Tawfeek Co. for Investment Funds (ATCIF), registered in the Cayman Islands in 1992, and Al-Amin Co. for Securities and Investment Funds (ACSIF), registered in Bahrain in 1992.

The two companies work together as TWA, which has been pioneering research and development of new financial products for investment on a global scale. "Our long-term aim is not only to match, but also to create alternative model financial packages, which offer superior alternatives to conventional interest-bearing systems," says a TWA director in Jeddah. TWA very quickly raised more than \$1.8 billion; this has been placed in 10 wide-ranging specialized funds and issues, which TWA manages on behalf of its investors around the world.

Its major investments by country include the United States (19 percent), Turkey (14 percent), Saudi Arabia and Algeria (12 percent), and Morocco (9 percent). Dallah Al-Baraka Group has a balance sheet of well over \$6 billion and shareholders' equity of more than \$1 billion. L.V.

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which is the equal of that available anywhere and is founded on our intimate knowledge of financial life in Saudi Arabia.

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SPONSORED SECTION

S A U D I A R A B I A

MAJOR NEW DEVELOPMENTS ARE UP IN THE AIR

Saudia, the kingdom's national carrier, seems set for major fleet renewal, and it is a likely candidate for privatization.

Saudia's new Director-General Khaled Abdullah bin-Bakr entered office in 1994 facing dramatic changes in the airline's circumstances. In February, a draft agreement was reached with the United States for the purchase of some \$6.2 billion worth of Boeing and McDonnell Douglas airliners. In June, King Fahd himself declared that the airline was a candidate for privatization.

As of late November, the Boeing-McDonnell Douglas order had yet to be ratified, although both U.S. plane makers were already assigning production lines to fill the giant order. With the arrival of the new aircraft — a mix of long-haul 747s (for direct service between Riyadh and the Americas) and a variety of medium- and long-haul aircraft (to serve closer markets) — as many as 70 of the kingdom's current fleet could be replaced or reassigned to new duties.

The deal is expected to include 29 Boeing 747s, five Boeing 737s and 12 of the new Boeing 777s. In addition, Saudia is purchasing 15 McDonnell Douglas MD-11s, many of which are expected to be used as part of the Royal Flight. The order was won against intense competition from Europe's Airbus Industrie and required considerable salesmanship from U.S. corporate and government officials, including President Bill Clinton himself.

Bulk to United States

Although the bulk of the order will go to the United States, Britain's Rolls-Royce is to supply many of the engines. Saudi joint ventures with European companies, as well as those with American companies, are expected to compete vigorously for key contracts to build giant new hangars to

house the kingdom's long-haul fleet at Riyadh, Jeddah, Dhahran and Dammam.

Financially, the most important component in the deal was the willingness of the U.S. Eximbank to provide massive export credits; these could cover as much as 85 percent of the contract value for a deal that is likely to prove crucial to the commercial prospects of McDonnell Douglas.

In Riyadh, the government has sought to insulate Saudia from the wave of spending cuts triggered by the 1994 budget by increasing the airline's own budget

by 6.6 percent, to \$2.2 billion.

Pros and cons

On June 3, King Fahd gave the royal imprimatur to a policy of privatization during a major television interview. There was a need, he said, for a larger private sector in several areas of the economy, including oil, airlines, gold mining and other key industries. Saudia was specified as a target for at least partial privatization.

Privatization, however, is not expected to take place in the next year or two. The kingdom is still feeling its

way in this complex field. Moreover, Saudia plays a vital social role, with its low-cost internal flights substituting for services that in other countries would be provided by ground transport. Careful financial arrangements are therefore required to ensure that potentially profitable international services effectively subsidize domestic routes. Privatization should help speed up the process of "Saudization." The airline has had considerable success in training local flight crews, which now account for around three-quarters of to-

tal flight staff. Cabin crew, however, continue to be largely hired in Europe; in 1994, some 35 stewardesses from Scotland were hired.

In the kingdom, the new aircraft will be serving some of the world's most advanced airports, including the new King Fahd international airport at Dhahran, which is capable of handling 4 million passengers a year, and a new \$2 billion airport at Dammam. At present, several of the kingdom's North American services require refueling stops at Shannon in Ireland.

J.R.



Satellite installed by AT&T on top of the King Fahd Specialist Hospital and Research Center.

BUSINESS BRIEFS

• **U.S. Chemical Group** is the largest multinational chemical company, has begun an \$11 billion new venture with an Indian company to produce and export a new type of plastic.

The new material, low-density polyethylene, will come from one of the Jubail petrochemical plants.

As the battle for the biggest share of the branded soft drinks market becomes even more competitive, Olaya, which owns the Coca-Cola Bottling Company of Saudi Arabia, has gone

into a joint venture with Reynolds Metals, the largest U.S. aluminum producer, to build an aluminum plant at Dammam in the Eastern Province. Due to be completed in 1996, the plant will have an annual capacity of 1.2 million cases, which will be used for Coca-Cola and other soft drinks.

One of the biggest exporters in the food sector is Al-Hajj Co. for Import & Export, a trading company which makes fruit juices. It is the 30th-largest company in the kingdom, with sales of \$300,000. It also has two factories making cans for food and industrial containers as well as corrugated cartons for farm produce and eggs.

A 100 percent Saudi-owned pharmaceutical factory is under construction in Riyadh for Al-Hajj Medical Company, which is owned by

managing director, hopes that the factory will open on schedule toward the end of 1996.

The factory, which will have a production area of 7,000 square meters (76,000 square feet), is being built with international know-how from many pharmaceutical companies in the United States, Europe and the Far East.

"We will be producing at least 100 different pharmaceuticals and medicines to the highest international specifications and standards, including GMP," says Mr. Walid. "As well as supplying our own domestic market, we also plan to export products to other Middle East countries."

Al-Hajj has licensing agreements with many foreign companies, including Janssen (Denmark), Smith & Nephew (Britain) and Solvay Duphar (Netherlands).

AT&T WINS \$4 BILLION TELECOM DEAL

Telecommunications has long been accorded an extremely high priority in Saudi Arabia.

In May 1994, the U.S. AT&T won the giant \$4.08 billion Sixth Telecommunications Expansion Project (TEP-6) to supply 1.5 million new lines, taking capacity to around 4 million lines, and to provide and install an integrated digitally based telephone network for the kingdom.

At present, the Saudi PTT is in the last stages of a previous expansion, designed to raise total capacity from 1.5 million lines in 1990 to 2.5 million lines by the end of 1995.

The new AT&T contract is intended to ensure that the kingdom's telecommunications are brought into line with global Integrated Services Digital Network standards. The deal is likely to yield considerable spin-offs for ancillary services as Saudis and Saudi-based expatriates boost demand for mobile phones, pagers, fax machines and modems as well as regular phone services.

The contract, for which

senior Clinton administration officials lobbied long and hard, was won against stiff opposition from such companies as Canada's Northern Telecom and Sweden's LM Ericsson. Two factors in particular helped AT&T secure the job. One was its stress on technology transfer and the training of Saudi managers and telecom professionals; the other was its willingness to develop an economic offset program. With the White House known to be seeking to secure the deal for U.S. companies, these factors proved sufficiently enticing for the kingdom to pass up at least one proposal that, one of AT&T's rivals asserted, was considerably lower in price.

Leading role in telecoms

AT&T believes that the implementation of the TEP-6 project will guarantee that the Kingdom of Saudi Arabia will continue to preserve its leading role in telecommunications in the world, with an advanced network designed for graceful evolu-

tion, allowing uniform access and architectural freedom," says Mart van der Gucht, vice president in charge of the project.

As part of the giant deal, AT&T will also install 200,000 mobile lines. AT&T is expected to introduce a system based on digital technology, although this will entail complex frequency reallocations.

Wanted: mobile phones Factors fueling the demand for increased lines include not only the fact that the kingdom has one of the fastest-growing population rates in the world, but also the recent expansion of the oil industry, which has boosted demand for mobile-phone systems.

One of the greatest areas for growth is likely to be in paging services. The Saudi PTT introduced a public radio-paging service in Riyadh in 1991; subsequently expanding it to serve 120,000 customers throughout the country. The system comprises three GL 3000 paging-terminal control cen-

ters — located in Riyadh, Dammam and Jeddah — and 41 Datacast high-power radio transmitters throughout the kingdom. But demand is so great that, as with mobile phones, constant expansion of pager services will be required.

Although Saudi policy has long been to promote the PTT paging service and to prevent the setting up of private systems, some major companies such as Saudi Aramco do possess their own private paging systems. The expectation was that these would be phased out in favor of the new PTT service, but the government's recent emphasis on privatizing aspects of Saudi telecommunications would seem to indicate there is a future for private paging systems in the kingdom. As a direct result of the 1994 budget, one area that will be handed over to the private sector is pay telephones. The PTT believes the kingdom needs some 43,000 pay phones, but at the start of 1994 it had only 8,000.

J.R.

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MONDAY SPORTS

Ortlieb Edges Moe in Delayed Super-G Race

TIGNES, France—In a battle of Olympic downhill gold medalists, Patrick Ortlieb of Austria, the 1992 winner, edged this year's champion, Tommy Moe of the United States, in a World Cup super-giant slalom Sunday.

In a race postponed from Saturday, Ortlieb was timed 1 minute, 22.25 seconds on a course that was 2,623 meters (8,603 feet) long and dropped 625 meters.

Moe took second in 1:22.58, and Luc Alphand of France was third in 1:22.65.

Ortlieb was the surprise downhill winner in Val d'Isere, France, in 1992 but lagged fourth behind Moe this year in Lillehammer, Norway. The race Sunday was Ortlieb's third World Cup victory.

He heads back to Val d'Isere for two downhill races on Friday and Saturday.

"The atmosphere is different every race," Ortlieb said. "Of course, Val d'Isere is special, but the course is not the same course as the Olympics."

Moe also took the silver medal in the Olympic super-G.

"As Patrick would know after winning the Olympics, it changes your life," Moe said. "Everyone knows who you are."

Fog and high winds following a heavy snowstorm forced the cancellation of the race Saturday. It was run Sunday in place of a giant slalom that was rescheduled for Val d'Isere on Dec. 18.

As part of a massive juggling because of a lack of snow in most of Europe, another super-giant slalom originally scheduled in Austria for Dec. 20 was switched to Val d'Isere. But that event has been changed to a giant slalom to allow top technical skiers like Alberto Tomba of Italy to come back to France.

Tomba, who did not race in the super-G on Sunday, retains the lead in the overall World Cup standings with 150 points. Michael von Grünigen of Switzerland is second overall with 123 points.

Kjetil Andre Aamodt, last year's overall World Cup champion, moved into third with 104 points after a 23d place. He has scored in all three races this season.

Tomba gets a chance to extend his lead in a slalom under the lights Monday night in Sestriere, Italy. He won the season's first slalom last Sunday in Tignes.

The super-G scheduled for Saturday and run on Sunday had originally been set for Val d'Isere the previous weekend.

Ale Skarvald of Norway was fourth with 1:22.70, followed by Luigi Caturti of Italy in 1:22.81. Sixth was Daniel Mahler of Switzerland, 1:22.83.



Patrick Ortlieb of Austria, 1992 Olympic gold medalist, on his way to victory in the World Cup super-giant slalom race.

Seizinger Turns Weekend Into Success

LAKE LOUISE, Alberta—Kajia Seizinger of Germany made the most of her last chance at success over the weekend by winning the World Cup super-giant slalom on Sunday.

The German skier was timed in one minute, 11.58 seconds for a comfortable victory over Heidi Zeller-Bachler of Switzerland, who was clocked at 1:11.90 for second place. Picabo Street of the United States, the winner of Friday's downhill, and Martina Ertl of Germany tied for third in 1:12.47.

Seizinger, the defending World Cup super-G and downhill champion, finished third in the downhill on Friday and was a disappointing 10th in Saturday's downhill race. She said she had been frustrated earlier but felt vindicated by her triumph on Sunday.

"I'm satisfied now," said Seizinger, who also won the last super-G contested at

Lake Louise, in 1992. "I made two little mistakes but it seemed to work out all right."

Seizinger said she would be happy if every ski season opened in North America. "I'd be extremely happy if the racing was held in Lake Louise."

Fifth place went to Bibiana Perez of Italy in 1:12.60, and Katharina Gutensohn of Germany finished sixth in 1:12.66.

Hilary Lindh of the United States won the downhill race on Saturday. Lindh, the winner of the season's opening race in Vail, Colorado, and second in Friday's downhill at Lake Louise, won in 1 minute, 39.90 seconds.

Florence Masnada of France finished second in 1:40.08, and Zeller-Bachler was third in 1:40.40.

Americans finished one-two in Friday's downhill. Street won her first World Cup downhill, followed by Lindh.

Unlike Street, who finished ninth Saturday, Lindh didn't regale the media with humorous stories about herself or drawing pictures in the snow on the podium.

"I try to stay away from that," said Lindh, 25. "If I find myself thinking about how the results are going to go, I have to try to correct myself and think about something else."

After winning the downhill silver medal at the 1992 Olympics, Lindh missed half the next season with a knee injury. She returned to win a race at Sierra Nevada, Spain, last season.

Lindh only shrugged when asked what she was going to do with the Canadian funds she won over the weekend: "Get it changed, I guess."

The race was held on the men's Olympic downhill course. A total of 41 gates were scattered over the course which has a vertical drop of 707 meters (2,300 feet).

(Reuters, AP)

Much-Richer Larsson Aces Sampras in Final

MUNICH—One week after helping Sweden win the Davis Cup title, Magnus Larsson upset top-ranked Pete Sampras on Sunday to pocket the richest prize in tennis: \$1.5 million.

Larsson, 24, won by the score of 7-6 (8-6), 4-6, 7-6 (7-5), 6-4 in the final of the Compaq Grand Slam Cup and said, "This is the best Christmas present I could get."

Larsson nearly equaled his entire career's prize money, \$1,690,317, and more than doubled his 1994 earnings, which had stood at \$639,105 before the final.

Sampras, who won the inaugural Grand Slam Cup in 1990, got \$750,000 as the losing finalist, plus a bonus of \$500,000 for the two Grand Slam titles he won in 1994, the Australian Open and Wimbledon.

The tournament invites the 16 players with the best records in the four Grand Slam events, which also include the French and the U.S. opens.

Larsson, who is ranked 19th in the world, had never beaten Sampras in five previous matches. He got into this tournament by virtue of reaching the semifinals at the French Open. It was his best finish at a Grand Slam event.

Sampras won 10 titles this year, the last at the ATP Tour World Championship in Frankfurt in November. But he could not match the raw power of Larsson, who served 31 aces.

With serve-and-volley predictability that at times became tedious on the super-fast carpet of Munich's Olympic Hall, both the first and third sets went with service throughout and were won by Larsson in the tiebreaker. In between, Sampras took the second set on a single break of serve.

Larsson, the winner of two titles this year, then broke Sampras twice in the final set to take a 5-1 lead. He wasted a match point and was broken in the eighth game, as Sampras cut the Swede's lead to 5-4.

But Larsson went up, 40-0, on his serve and a service winner gave him the match after 2 hours, 37 minutes.

"At the start of the fourth set I had a few good games, but at the end I felt a bit tired, the pressure was one me," he said. "But I saw that Pete was also tired and I thought that the longer the match lasts, the better my chances."

"To win the Davis Cup is something very big, I felt I could go here and play with no pressure," Larsson said.

In reaching the final, Larsson upset three higher-ranked players: Davis Cup teammate Stefan Edberg, then No. 2-ranked Andre Agassi and then Todd Martin in the semifinals Saturday.



Pete Sampras: "I felt a bit tired."

Sampras had to battle through five tough sets, and survive 41 aces, on Saturday to beat Goran Ivanisevic, 5-7, 6-3, 6-4, 6-7 (5-7), 10-8. That match took 3 hours, 22 minutes, and Sampras appeared far less fresh than Larsson in the final.

"I felt a bit tired, but you've got to give Magnus credit," Sampras said. "He played too good, he served too big, and he's coming off the Davis Cup victory."

In his semifinal, Sampras wasted two set points in the first set before allowing Ivanisevic to come back and win it.

Then Sampras needed seven set points to finish off the second set. And he wasted four match points before Ivanisevic hit a volley long that ended the match.

But, by adding \$1.25 million to his 1994 earnings, Sampras reached the record sum of \$4,857,812 for the year. The money here also boosted the two-time Wimbledon champion's career earnings to more than \$16 million.

As for Larsson, he was asked after his semifinal whether he was starting to tire after a pressure-packed week. And, he did not have to search long for an answer.

"It's not hard to keep motivated for the Grand Slam Cup," he said. "It's too much money."

(AP, Reuters)

NASDAQ NATIONAL MARKET													
Consolidated trading for week ended Friday, Dec. 9. (Continued)													
Stocks	Div	Yld	52wk High	52wk Low	Chg	Chg Pct	Stocks	Div	Yld	52wk High	52wk Low	Chg	Chg Pct
Alcoa	1.50	5.8	34.12	28.12	0.12	0.3	Boeing	1.00	4.2	41.12	34.12	0.12	0.3
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Chrysler	0.50	3.2	18.12	15.12	0.12	0.7
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Citigroup	0.40	3.8	22.12	18.12	0.12	0.6
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Comcast	0.30	3.5	15.12	12.12	0.12	0.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Conoco	0.20	3.0	12.12	10.12	0.12	1.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Corning	0.15	2.8	10.12	8.12	0.12	1.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Cummins	0.10	2.5	8.12	6.12	0.12	1.5
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Danaher	0.08	2.2	6.12	4.12	0.12	1.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Deere	0.06	2.0	4.12	3.12	0.12	2.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Dynegy	0.04	1.8	3.12	2.12	0.12	2.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Eaton	0.03	1.5	2.12	1.12	0.12	2.5
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Exxon	0.02	1.2	1.12	0.12	0.12	2.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	General Electric	0.01	1.0	0.12	0.12	0.12	3.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	General Motors	0.01	0.8	0.12	0.12	0.12	3.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Goldman Sachs	0.01	0.6	0.12	0.12	0.12	3.4
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	IBM	0.01	0.4	0.12	0.12	0.12	3.6
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Intel	0.01	0.2	0.12	0.12	0.12	3.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	JPMorgan Chase	0.01	0.1	0.12	0.12	0.12	4.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Microsoft	0.01	0.0	0.12	0.12	0.12	4.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Oracle	0.01	0.0	0.12	0.12	0.12	4.4
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Pfizer	0.01	0.0	0.12	0.12	0.12	4.6
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Procter & Gamble	0.01	0.0	0.12	0.12	0.12	4.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Qualcomm	0.01	0.0	0.12	0.12	0.12	5.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Schlumberger	0.01	0.0	0.12	0.12	0.12	5.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Siemens	0.01	0.0	0.12	0.12	0.12	5.4
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Sony	0.01	0.0	0.12	0.12	0.12	5.6
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Texas Instruments	0.01	0.0	0.12	0.12	0.12	5.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	United Technologies	0.01	0.0	0.12	0.12	0.12	6.0
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Verizon	0.01	0.0	0.12	0.12	0.12	6.2
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Walmart	0.01	0.0	0.12	0.12	0.12	6.4
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Xerox	0.01	0.0	0.12	0.12	0.12	6.6
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Yahoo	0.01	0.0	0.12	0.12	0.12	6.8
Amgen	0.75	4.8	28.12	22.12	0.12	0.4	Zynga	0.01	0.0	0.12	0.12	0.12	7.0

MONDAY SPORTS

With O'Neal Front and Center, Magic Defeat Hawks

The Associated Press

For Shaquille O'Neal, it was not mission impossible.

"He played very hard. He was on a little bit of a mission," said the Orlando Magic coach, Brian Hill, after the NBA's leading scorer got 33 points, 13 rebounds, 4 assists and 3 steals in a 109-98 victory Saturday night.

"Atlanta is a team that poses problems at the center position because they have two 7-foot guys that are big and strong and have 12 fouls to use," Hill said.

The triumph was the 13th in the last 14 games for Orlando, which improved the league's best record to 15-3. The team's only loss in the past month was a two-point setback Dec. 3 in Atlanta.

Anfernee Hardaway had 22 points and Nick Anderson 19 for the Magic, which broke the game open by outscoring Atlanta by 27-11 in the last nine minutes of the third quarter.

"We knew that [John] Koncinski and [Andrew] Lang couldn't hold Shaquille, so we just threw the ball inside and let him do his thing," Hardaway said.

"When he threw it back outside we tried to get our shots going. But mainly our focus was to get the ball inside."

Mookie Blaylock led the Hawks with 15 points, but he had just two after halftime. Steve Smith, Craig Ehlo and Ken Norman each had 14 for

Atlanta, which had won four of its previous five games.

Pacers 117, Heat 103: Hot-shooting Reggie Miller tied his season high with 33 points as Indiana won its fifth straight. Miller made 9 of 11 shots from the field and 10-of-11 free throws in 27 minutes.

Suns 103, Timberwolves 89: Rookie Wesley Person scored seven of his 25 points during a 17-1 run in the fourth quarter as Phoenix ran its record against Minnesota to 22-0.

Lakers 120, Jazz 113: Sedale Threatt, in his first start of the year because Nick Van Exel had a sprained left ankle, scored a season-high 38 points as Los Angeles handed Utah its third straight home loss.

Mavericks 99, Hornets 96: Jamal Mashburn scored 31 points and Jim Jackson 20 as Dallas won its ninth game — a total the Mavericks didn't reach until April 5 last season.

Coach Dick Motta moved into third place on the NBA's all-time victory list with 865; he was tied with Jack Ramsay.

Bucks 106, Bulls 103: Glenn Robinson's three-point play with 5.3 seconds left ended Milwaukee's nine-game losing streak.

Chicago, which never led and trailed by 16 points at halftime, rallied to tie at 103 on Scottie Pippen's free throw with 14 seconds left. Robinson, who finished with 18 points, then got a pass from a driving Lee Mayberry and was fouled by Pete Myers as his shot fell.

Pippen and Toni Kukoc missed 3-pointers in the final five seconds.

Suns 108, Rockets 96: Avery Johnson led a balanced San Antonio attack with 24 points, and Chuck Person sank six of nine 3-pointers and finished with 22 in Houston.

San Antonio played without Dennis Rodman, who was removed from the team's suspended list Saturday but did not suit up. Rodman accompanied the team to Houston but remained in his hotel room during the game.

Nuggets 111, Bulls 89: Mahmoud Abdul-Rauf, a day after being fined for missing practice, came off the bench to score 31 points as Denver won its fourth straight. Abdul-Rauf made five 3-pointers and was 13-of-19 shooting.

SCOREBOARD

NBA Standings

EASTERN CONFERENCE

Team	W	L	Pct	GB
Orlando	15	2	.882	
New York	11	6	.647	3 1/2
Boston	11	6	.647	3 1/2
Washington	9	8	.529	5 1/2
Philadelphia	9	8	.529	5 1/2
New Jersey	8	9	.471	6 1/2
Atlanta	4	13	.235	10 1/2
Charlotte	4	13	.235	10 1/2

CENTRAL CONFERENCE

Team	W	L	Pct	GB
Indiana	12	5	.706	
Cleveland	11	6	.647	1 1/2
Chicago	9	8	.529	3 1/2
Detroit	8	9	.471	4 1/2
Albany	8	9	.471	4 1/2
Memphis	6	11	.353	6 1/2

WESTERN CONFERENCE

Team	W	L	Pct	GB
Houston	12	6	.667	
Denver	10	6	.625	1 1/2
Dallas	9	7	.563	2 1/2
San Antonio	8	9	.471	3 1/2
Minnesota	3	15	.167	8 1/2

PACIFIC CONFERENCE

Team	W	L	Pct	GB
Phoenix	13	5	.722	
Seattle	12	6	.667	1 1/2
LA Lakers	10	7	.588	2 1/2
Sacramento	10	7	.588	2 1/2
Portland	6	7	.462	5 1/2
Golden State	5	11	.313	6 1/2
LA Clippers	3	15	.167	8 1/2

FRIDAY'S RESULTS

C. Phippen	8-4	1-9	17	Armstrong	6-2	5-22	32
Wagner	8-4	0-4	18	Muller	6-3	16-18	30
McDonald	8-4	0-4	18	McDonald	6-3	16-18	30
McDonald	8-4	0-4	18	McDonald	6-3	16-18	30
McDonald	8-4	0-4	18	McDonald	6-3	16-18	30
McDonald	8-4	0-4	18	McDonald	6-3	16-18	30
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LANGUAGE

Getting to the Core of Cyberlingo

By William Safire

WASHINGTON — Winston Churchill is turning over in his grave. Peering into the mists of the future, the keepers of all the books and papers of the past and present at the Library of Congress came up with a dreary name for its plans to reproduce a core of its holdings as on-line digital bits: the National Information Infrastructure.

When Sir Winston in 1950 heard an opposition politician use *infrastructure*, the lover of forthright English prose rose in the House of Commons to heap ridicule on the uppity member: "It may well be that these words 'infra' and 'supra' have been introduced into our current political parlance by the band of intellectual highbrows who are naturally anxious to impress British labor with the fact that they learned Latin at Winchester."

Vampire-like, *infrastructure* has returned in the dead of night to suck the blood out of the colorful language of the information age. A Washington Post editorialist had a livelier idea, infusing up the scene of the linguistic crime as "The Cyberbar of Congress." Let's interface it: *cyber* is the hot combining form of our time.

When a Los Angeles think tank started the experimental Democracy Network to let politicians interact on line, the move was headlined as "Campaigning in Cyberspace"; that word was coined by William Gibson in "Neuromancer," his 1984 sci-fi novel. Bill Howard, executive editor of PC Magazine, modems me that "originally *cyberspace* was the future network created when people melded their brains with computers. It then came to mean the romanticized nonplace where hackers met to carry on electronic conversations. *Cyberspace* in the past year or two has come to be more broadly equat-

ed with the Internet (a.k.a. the information highway, info-bahn, autostrada, etc.)." Gibson's novel was the forerunner of what has come to be called *cyberpunk* fiction.

In what it hailed as "the first interactive election event of its kind," U.S. News & World Report labeled its election night on-line forum a *cybercast*. Sean Piccoli wrote in The Washington Times that "battlefield valor belongs not to the brawny soldier but to the astrophysics major who invented smart bombs," somebody who's called a *cyberwarrior*.

Newsweek, which calls its page covering the virtual virtues *CyberScope*, informs us that "steamy computer bulletin-board exchanges" form what is called *cyberspace*. Naturally, the climax induced by computer-transmitted stimuli is a *cybergasm*, as safe as sex gets.

A New York advertising agency, Biederman, Kelly & Shaffer, issued a glossary of "the new cyberlingo" titled "CyberTalk"; its definition of *cyber*, the combining form, is "just a slang hand-me-down from Cybernetics."

Which brings us to Norbert Wiener, the early automation genius, who settled on *kybernetes*, the Greek word for "to steer," hence "govern," and declared in 1948: "We have decided to call the entire field of control and communication theory, whether in the machine or in the animal, by the name *Cybernetics*." (That's how to coin a word authoritatively. Wiener was apparently unaware of the 1834 use of *cybernetique* by the French physicist A.M. Ampere to mean "the art of governing.")

"On those things that are at the core of our contract," said incipient Speaker Newt Gingrich, "on those things that are at the core of our philosophy... there will be no compromise."

Core is in. To get right to the heart of the matter, as we used to say, such terms as *center*, *hub*, *nucleus*, *crux* and even *quintessence* have been rendered hopelessly old-fashioned.

Those who remember *core* mainly for "rotten to the core" had better get down to the kernel of the nut: the *vogue word*'s power is shown by its use not merely as a noun but also as a modifier.

Newtonians speak of *core beliefs*; virtuous William Bennett holds forth on *core values*; liberal alliterators worry about *core concerns* in the *core city* (inner is out). Thus has *core* established itself as the year's hottest attributive noun.

When did we start using *core* as a modifier? In the 19th century, *core bar* and *core box* were used in metal-casting. In 1926, a guide to Stone Age implements in the British Museum observed "the change from a *core*-industry to a *flake*-industry." (Flake industries today range from head shops to political commentary.)

To get to the nub, I turned to the Barnhart Dictionary of Etymology. The noun is suggested there to be derived from the French *coeur*, literally "heart," from the Latin *cor* for the same word, which does not lead to a *coronary* (from the Latin *corona*, "crown"). The etymologists report that the first use of *core* to mean "the part of a nuclear reactor containing fissionable material" was recorded in 1949, and note that the verb form — "to take out the core of fruit" — dates to the mid-15th century.

But this excellent reference work about linguistic roots has no coverage of the attributive noun that today's deep thinkers have taken to their innermost lexicon. For that, you have to go to the cover of the dictionary, which advertises itself as covering "the core vocabulary of Standard English."

A French Importer Of 'Frontier Culture'

By Ginger Danto

DAMMARIE-EN-PUISAYE, France — "It's not Texas," says Serge Lecacheur, standing boot-deep in the swampy turf of la Puisaye, a region of southeast France encompassing picturesque parts of Burgundy, but otherwise notorious for inclement weather. "But it might as well be," he adds quickly — ever the optimist — a key ingredient, along with capital, for the vicissitudes of the horse trade.

For Lecacheur, whose fluent English is spiced with a Texan twang, operates a 120-hectare (300-acre) spread on the outskirts of Dammarie-en-Puisaye, where he raises all-American quarter horses.

Comments like "sound" and "steady" — high praise from a horseman — pepper his assessment of the latest crop of colts and fillies. All are registered with the American Quarter Horse Association, an organization founded in 1940 to protect and promote the breed, currently numbering 3.2 million animals worldwide. As the first large-scale importer and breeder of quarter horses in France, Lecacheur has possibly done enough business in Amurillo to justify his accent.

A 56-year-old former advertising executive, Lecacheur saw in the over-irrigated and rugged pasture land of La Puisaye a terrain suited to a breed so linked with the American frontier and the cowboys who claimed it.

"This place is truly a marriage of France and America," Lecacheur said. "The typical French provincial farmhouse together with the quarter horse."

The first breed developed in the United States, the quarter horse originated in the Carolinas and Virginia, where it got its name for excelling at

quarter-mile races staged by tobacco farmers in town streets and plantations. A capacity for swift starts, stamina, calm and agility when it came to sliding stops appealed to cowboys, who adopted the compact-muscle species for cattle work. Thereafter, the quarter horse became an integral part of frontier history.

Enamored of the myth of the American West, the French are conspicuous consumers of frontier culture, from film to fashion. "Why not import the very symbol of that life, which is alive and well today?" Lecacheur asked himself in the late '70s, before delving overnight into a project for which he had far less experience than insight. But there was, within his mind's mix of challenge and calculation, a deeper reason. Sentiment. If any animal inspires such emotion in man, it is the horse.

Horses have been part of Lecacheur's life as far back as he can remember, from about age 5, when his family left France for Morocco to wait out the war. His early memories are of fragrant orange groves, and of the handsome "Barbes" horses that roamed his adopted home. He went to work at 17 on a U.S. Army base outside Casablanca, and subsequently found his profession in advertising, notably commercial radio broadcasts.

With his earnings he indulged his hobby of big-game hunting, and turned a profit as one of Africa's last white hunters, leading expeditions on the continent for 15 years.

He created a radio program for African villages, with news and how-to information "like digging a well."

But childhood memories exerted a profound influence, and Lecacheur longed once again for the company of horses.

"I went looking for the horse of my youth — the Barbe," he said of visiting the Salon du Cheval, a horse fair held annually in Paris.

"The horse most resembling the Barbe turned out to be an American quarter horse," he said, recalling that



Serge Lecacheur with his Palomino stallion "Make No Mistake."

it was love at first sight. The owner was Michel Bianco-Dumont, a devotee of cowboy culture who in 1981 founded the now 400-member French Quarter Horse Association. Lecacheur (who served a term as president) was seventh to sign up. At the time, there were 13 registered quarter horses in France.

Emotion notwithstanding, the entrepreneurial Lecacheur invariably saw an opportunity to exploit the quarter horse's association with the American West and the traditional French liking for horses, from farm to military front, racetrack to Olympic arena.

Inspired by the kind of projections that had nurtured his prior ventures, Lecacheur set off to comb the United States. He sought specimens that would represent and ultimately reproduce the quarter horse abroad. From Texas to Oklahoma, California to Nebraska, he visited private breeders and commercial stables, stud farms and backyard sellers.

His reputation preceded him. "I became known as the \$100,000 man," Lecacheur said, referring to what he paid for a stallion. Briefly Europe's leading quarter horse breeder, Lecacheur had 80 horses and 25 brood mares roaming his oasis in the heart of La Puisaye.

His success spawned several quarter horse farms around France, which ranks sixth worldwide in the number of registered quarter horses (1,200), after the United States, Canada, Germany, Italy and Mexico. Terms like *le roping* and *le cutting* have entered the French horseman's vernacular, and names like "Silver Dude Frosty" and "Smoky Bandit" adorn French breeding books.

Ginger Danto is a free-lance journalist based in Paris who specializes in the arts.

WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Europe: High/Low, Wind, Precipitation. Cities include London, Paris, Rome, etc.

North America: High/Low, Wind, Precipitation. Cities include New York, Los Angeles, etc.

Asia: High/Low, Wind, Precipitation. Cities include Tokyo, Hong Kong, etc.

Africa: High/Low, Wind, Precipitation. Cities include Cairo, Johannesburg, etc.

Latin America: High/Low, Wind, Precipitation. Cities include Mexico City, Lima, etc.

Oceania: High/Low, Wind, Precipitation. Cities include Sydney, Melbourne, etc.

In Sea of CDs, Vinyl Records Staging a Small Comeback

By Neil Strauss
New York Times Service

NEW YORK — Vinyl is back. For the first time in 13 years, sales of old-fashioned vinyl LP recordings are on the rise. Sales in the United States have increased by 80 percent for the first half of this year compared with the same period last year, according to the Recording Industry Association of America.

Stores like Tower Records are stocking vinyl again, and musicians are championing it as a better-looking and sounding medium.

Recent albums by Nirvana, Neil Young, Johnny Cash and Sonic Youth were all released on vinyl at least a week before the CD version was available. In hip-hop, the group Arrested Development has started its own advocacy organization called Power to the Vinyl.

The same shift in sensibility is registering among classical music lovers, including opera fanatics. Like their pop counterparts, many maintain that the voice comes through more truly on warm-sounding vinyl than on cleaner, colder CDs. Many also believe that cover art looks better on 12-inch albums than it does on 5-inch CDs and that jacket information is more legible and complete. Still, for the moment no major classical labels are releasing vinyl commercially, and the phenomenon remains far more striking in the world of pop.

Pearl Jam's new album, "Vitalogy," went to No. 55 on Billboard's pop charts, with sales of more than 35,000 copies. This feat would be unremarkable except for one fact: The album was available only on vinyl. Two weeks after the LP version was made available, it was released on CD and cassette. According to Billboard, "Vitalogy" is the first album to appear on its top 200 pop album chart because of vinyl sales since the proliferation of the CD.

But don't sell your CD player yet. Vinyl has returned not necessarily as a rival to the CD, but as a fetish object or relic. Most vinyl versions of rock records, including Pearl Jam's, are released only in limited editions of fewer than 100,000, and CD sales are hardly on the decline. LPs currently account for only two-tenths of one percent of all recordings sold.

"I think the return of vinyl is a nostalgic thing," said Jay Berman, the chairman of the Recording Industry Association of America. "It's interesting that it's happening at a time when the technological world is swirling around us with multimedia and interactive CDs. In the midst of all this, vinyl is re-emerging as a blip on the screen and maybe as a reaction to technology."

Ray Farrell of Geffen Records, which puts out most of its high-profile alternative-rock releases on LP in advance of the CD, agreed. "We don't make a whole lot of money off of vinyl," he said. "We're doing it because it's fun, fans like it, and it's a good marketing tool for a band. Record stores often display vinyl more prominently than a CD."

"Vinyl is still particularly important for the punk rock community," said Brian Long of Caroline Records, an independent New York-based record label, "and it is at the heart of club culture and dance music."

Advertisement for AT&T WorldConnect and World Connect Service. Includes text: "You're out of the office. A lot can happen. Some of it might even be good." and a large table of international phone numbers for various countries.

Country	Area Code	Number
ASIA/PACIFIC	1-800-891-0111	
Australia	1-800-891-0111	
China	1-800-891-0111	
HONG KONG	1-800-891-0111	
INDONESIA	1-800-891-0111	
JAPAN	1-800-891-0111	
KOREA	1-800-891-0111	
MACAO	1-800-891-0111	
Malaysia	1-800-891-0111	
NEW ZEALAND	1-800-891-0111	
PHILIPPINES	1-800-891-0111	
RUSSIA (MOSCOW)	1-800-891-0111	
SINGAPORE	1-800-891-0111	
SRI LANKA	1-800-891-0111	
TAIWAN	1-800-891-0111	
THAILAND	1-800-891-0111	
EUROPE	1-800-891-0111	
ARMENIA	1-800-891-0111	
AUSTRIA	1-800-891-0111	
BELGIUM	1-800-891-0111	
BULGARIA	1-800-891-0111	
CROATIA	1-800-891-0111	
CZECH REPUBLIC	1-800-891-0111	
DENMARK	1-800-891-0111	
FINLAND	1-800-891-0111	
FRANCE	1-800-891-0111	
GERMANY	1-800-891-0111	
GREECE	1-800-891-0111	
HUNGARY	1-800-891-0111	
IRELAND	1-800-891-0111	
ITALY	1-800-891-0111	
LITHUANIA	1-800-891-0111	
LUXEMBOURG	1-800-891-0111	
NETHERLANDS	1-800-891-0111	
NORWAY	1-800-891-0111	
POLAND	1-800-891-0111	
PORTUGAL	1-800-891-0111	
ROMANIA	1-800-891-0111	
SLOVAK REP.	1-800-891-0111	
SPAIN	1-800-891-0111	
SWEDEN	1-800-891-0111	
SWITZERLAND	1-800-891-0111	
UKRAINE	1-800-891-0111	
U.S. ARAB EMIRATES	1-800-891-0111	
AFRICA	1-800-891-0111	
ARGENTINA	1-800-891-0111	
BOLIVIA	1-800-891-0111	
BRAZIL	1-800-891-0111	
CANADA	1-800-891-0111	
CHILE	1-800-891-0111	
COLOMBIA	1-800-891-0111	
EL SALVADOR	1-800-891-0111	
HONDURAS	1-800-891-0111	
MEXICO	1-800-891-0111	
PANAMA	1-800-891-0111	
PERU	1-800-891-0111	
VENEZUELA	1-800-891-0111	